Arbeitspapier

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The Cohesion Aim and the European Union:
An Alternative Policy for Regional Development

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<th>Description</th>
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<tr>
<td>BMVBW</td>
<td>Bundesministerium für Verkehr, Bauen und Wohnen</td>
</tr>
<tr>
<td>BSE</td>
<td>Bovine Spongiform Encephalopathy</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
</tr>
<tr>
<td>CEEC</td>
<td>Central and Eastern European Countries</td>
</tr>
<tr>
<td>CFSP</td>
<td>Common Foreign and Security Policy</td>
</tr>
<tr>
<td>EAGGF</td>
<td>European Agricultural Guarantee and Guidance Fund</td>
</tr>
<tr>
<td>EC</td>
<td>European Communities</td>
</tr>
<tr>
<td>ECU</td>
<td>European Currency Unit</td>
</tr>
<tr>
<td>EEC</td>
<td>European Economic Community</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>EMU</td>
<td>European Monetary Union</td>
</tr>
<tr>
<td>EP</td>
<td>European Parliament</td>
</tr>
<tr>
<td>EFRD</td>
<td>European Regional Development Fund</td>
</tr>
<tr>
<td>ESDP</td>
<td>European Spatial Development Perspective</td>
</tr>
<tr>
<td>ESF</td>
<td>European Social Fund</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EU15</td>
<td>Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK</td>
</tr>
<tr>
<td>EU20</td>
<td>EU15 + Czech Republic, Estonia, Hungary, Poland, Slovenia</td>
</tr>
<tr>
<td>EU25</td>
<td>EU20 + Latvia, Lithuania, Slovakia + (Bulgaria and Romania) or (Cyprus and Malta)</td>
</tr>
<tr>
<td>EU26</td>
<td>EU27 – Malta</td>
</tr>
<tr>
<td>EU27</td>
<td>EU25 incl. both couples</td>
</tr>
<tr>
<td>EU28</td>
<td>EU27 + Turkey</td>
</tr>
<tr>
<td>EURATOM</td>
<td>European Atomic Community</td>
</tr>
<tr>
<td>FIFG</td>
<td>Financial Instrument for Fisheries Guidance</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Indicator</td>
</tr>
<tr>
<td>ISPA</td>
<td>Instrument for Structural Policies for Pre-Accession</td>
</tr>
<tr>
<td>MFD</td>
<td>Mouth and Foot Disease</td>
</tr>
<tr>
<td>NUTS</td>
<td>Nomenclature des Unités Territoriales Statistique</td>
</tr>
<tr>
<td>PHARE</td>
<td>Poland and Hungary Aid and Restructuring of the Economies</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>PPS</td>
<td>Purchasing Power Standard</td>
</tr>
<tr>
<td>SAPARD</td>
<td>Special Accession Programme for Agriculture and Rural Development</td>
</tr>
<tr>
<td>SEA</td>
<td>Single European Act</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium sized Enterprises</td>
</tr>
<tr>
<td>TEN</td>
<td>Trans-European Networks</td>
</tr>
<tr>
<td>TEN-T</td>
<td>Trans-European Networks – Transport</td>
</tr>
<tr>
<td>TINA-Networks</td>
<td>Transportation Infrastructure Needs Assistance – Networks</td>
</tr>
</tbody>
</table>
1 Introduction

Developed from its history the Europe of today is a continent with a heterogeneous variety of countries, cultures and people. This is a diversity which represents a major resource but which is also manifest in regional disparities – particularly in economic terms. In the past xenophobia and jealousy between the different nations of Europe proved repeatedly a threat to peace and freedom of its people.

However, perpendicular to these differences a common set of ideas and beliefs is shared. The European Union is to unite these common roots in order to settle future conflict beforehand. The crucial question is to find a compromise between a common sense of Europe and national or regional identity. Furthermore a solution to handle the apparent economic disparities based on solidarity has to be found. Otherwise it is just a matter of time before new violence – maybe not in the shape of war, but probably by terrorism or riots – might occur.

This paper is trying to address these dangers by an investigation of the cohesion policy executed by the European Union. The initial analysis is based on literature research. Documents by the European Institutions as well as from independent authors were consulted. A mixed approach was carried out for the concept following afterwards. On the one hand ideas were drawn from the references mentioned before, on the other hand a vivid discussion took place between the authors.

After an introductory description of the European history (2.1), its institutions (2.2) and the financial system (2.3) the actual cohesion policy conducted by the EU is the first focus of this report. This part is divided into three major sections. Whereas a first definition of cohesion (3.1 and 3.2) is followed by an assessment of the past and future policies (3.3). The closure is conducted by first conceptual proposals to adjust the actual framework towards more justice and efficiency (3.4).

Chapter 4 is engaged exclusively with two, more radical approaches. The first one is trying to extend the existing system of programming and funding by the objectives of environmental protection and cultural cohesion (4.2). Both are regarded to be necessary in order to direct the future development towards a sustainable development. The second one creates a completely alternative system of solidarity based on a regional income compensation system (4.3).

The dominant focus of investigation is into aspects of national and regional disparities regarding economic performance. This is accompanied by an increased consideration of environmental and cultural aspects. An important role are also playing the Trans-European Networks being per definition spatial instruments providing manifold links to economic, social, environmental and cultural regards.
2 The European Union as foundation for cooperation in Europe

Understanding the authors’ critique and proposals requires some foundation of knowledge. As a first step, some information about EU’s history and its future challenges (2.1), its different institutions, their power and coordination in the decision-making process (2.2) is to be delivered. In the second step, the foundation of the EU’s financial framework and the funding system of the Structural Policies are to be investigated (2.3).

2.1 Development and future challenges

In 1946 Winston S. Churchill held a speech at Zurich University, Switzerland, entitled “The Tragedy of Europe”. In this speech he addressed the re-creation of the “European Family” (Churchill 1946: 7381) in order to overcome the violent European past. The first step in the creation of this family, he said, “must be a partnership between France and Germany” (Churchill 1946: 7381). Only four years later, in 1951, the Schuman Declaration aiming at uniting the French and German steel and coal industries under a single controlling organization laid down the foundation for Churchill’s European family: together with Italy, the Netherlands, Luxemburg and Belgium the European Coal and Steel Community was founded. In 1957 these countries signed the Treaties of Rome which founded the European Economic Community (EEC) and the European Atomic Community (EURATOM). These treaties came into operation in 1958 and were amended in 1965 when the fusion of the different executives and legislatures of the three Communities was introduced. As a result of this decision the Commission of the European Communities started its work in Brussels in 1967 when the Merger Treaty came into operation. 1968 witnessed the realization of the Tariff Union of the EEC.

In 1969 a new chapter for the European Communities (EC) began as the gradual introduction of the Economic and Monetary Union (EMU) was initiated. From 1970 on the EC were responsible for the foreign trade policies of the Member States. The European Council was set up in 1974 as an unofficial meeting of the chiefs of the Member States and their governments. The second chapter of the EC/EU history came to an end in 1979 when the European Monetary System (EMS) and the European Currency Unit (ECU) were introduced.

In the same year began a new era for the European people – for the first time they could vote for the members of the European Parliament (EP). This marked the first step in the evolution of the EC from an economic to a political union. The Single European Act (SEA) – a major reform of the Communities Structural Policies - was signed in 1986. After the German reunification in 1990, the first Europe Agreements with Central and Eastern European Countries (CEEC) were signed in 1992, and more were to come in the following years up to a total number of 13 – the partners of these Europe Agreements are the actual accession candidates. The signing of the 1992 Maastricht Treaty – the Treaty of the European Union (EU) – marked another milestone in the transformation from an economic to a political union.
1993 saw the conclusion of the Single Market and the coming into operation of the Maastricht Treaty. The European Communities together with the EMU became the first of the three pillars of the EU. The second pillar is constituted by the Common Foreign and Security Policy (CSFP) whereas Justice and Home Affairs constitute the third pillar (Dietz/Fabian 1999: 4p). In 1994 the second stage of the EMU entered into force. 1995 the ECU was named “Euro”. Two years later, in 1997 the European Commission presented the Agenda 2000 laying down the future development of the EU. It included the proposal to start negotiations with six CEEC about their future EU membership. Others were to follow up to a total number of 12 countries. The same year witnessed the signing of the Amsterdam Treaty. The Euro was introduced as the single European currency at the beginning of 1999, while the bills followed in 2002.

map 1: past and future extensions of the EU

Over the last 45 years nine countries joined the initial club of 6 as can be seen in the map. The next accessions of CEEC are expected for 2004. It is assumed that over a longer period of time all thirteen candidate countries will join the EU enlarging it to a total number of 28 Member States (cf. Fritzler/Unser 1998: 140pp).
2.2 Institutions and their functions

The EU represents a unique supranational institution, empowered by its Member States, which passed certain powers from national to EU level. Therefore a manifold number of institutions were introduced to represent the different opinions and interests of the Member States, the European citizens and many more. As well the different institutions have to share some of their powers with others and need to control one another. These are referred to by the following table:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Functions</th>
</tr>
</thead>
</table>
| European Commission: The only EU institution that represents solely Community interests | • Executive body of EU: responsible for the implementation of Community law and Community policies (e.g. Structural Policies)  
• Guardian of the European treaties: takes care that European legislation is being applied properly  
• Representative of the Union on the international stage, negotiates international agreements  
• Driving force of the integration process: Right to elaborate legislative proposals (to be presented to the Council and the EP)  
• Organisation: divided into 24 sectorally responsible General Directorates |
| Council of the European Union: Representation of the Member States | • Legislative body: main decision-making body (together with the EP)  
• Concludes international agreements  
• Budgetary authority (shared with EP)  
• Coordinates the economic policies of the Member States  
• Responsible for decisions concerning the CFSP  
• Responsible for cooperation in the field of police and judicial matters |
| European Parliament: The democratic representation of the citizens of Europe | • Part of the EU legislative (shared with Council)  
• Budgetary authority (shared with Council)  
• Supervises the Commission and the other institutions and the Member States in their implementation of Community policies |
| Court of Justice | • Judiciary body  
• Ensures that Community law is uniformly interpreted and effectively applied by the Member States |
| Court of Auditors | • Checks the EU budget |
| European Central Bank | • Frames and implements European monetary policy  
• Conducts foreign exchange operations  
• Ensures the operation of the payment system |
| European Investment Bank: | • Finances investment projects in favour of reducing spatial disparities  
• Gives out loans for different projects, e.g. for financing the Trans-European Networks (TEN) |


The following institutions are actually not really institutions but important meetings (in the case of the European Council) or committees that have a counselling function (in the case of the other two):

<table>
<thead>
<tr>
<th>Institution</th>
<th>Functions</th>
</tr>
</thead>
</table>
| European Council | • Meeting of the European chiefs of government or state and the President of the Commission  
• Discusses about the direction of the European integration process  
• Lays down political guidelines  
• Ratifies treaties or decides on amendments to them |
| Committee of Regions | • Represents the regional and local authorities on the European level  
• Secures their participation in the decision-making process  
• Has to be consulted e.g. on matters of regional policy, cohesion and environment |
| Economic and Social Committee | • Representation of European employers, employees and others (e.g. farmers, consumers etc.)  
• Counsels the EU institutions in economic and social policy matters |


The EU is still far away from being a democratic institution which follows the citizen’s will. This can be noticed especially in the fact that the EP – the representational body of Europe’s citizens – has no right to propose legislative acts.
and that the future of the EU and the European integration process is neither proposed by the EP or the Commission. This is decided twice a year in an informal meeting, in which participate the chiefs of the Member States or their governments and the President of the Commission: the European Council. The decision making system of the EU knows three different ways to come to formal legislation: the co-decision procedure, the cooperation procedure and the assent procedure. Only the first and the third are of interest for this paper and therefore the cooperation procedure will not be considered here.

The co-decision procedure is applied in the case of decisions concerning e.g. structural or transport policies. EP and Council of the EU share the legislative power and both have to agree on legislative proposals by the Commission. If the EP amends the proposal the Council has to take a Common Position on the matter. The EP then has to decide about the Council’s decision, if it accepts the Common Position the act will be adopted, if not it will veto the proposal and the act will not be adopted.

The assent procedure is reserved for the most crucial decisions – e.g. the accession of new members. The EP is in a comparatively strong position since its assent (absolute majority) is necessary for making a decision (cf. Dietz/Fabian 1999: 27pp).

However, in spite of the fact that the EP has the power to veto decisions its situation remains weak in the system of the EU institutions. Compared with the national parliaments of the Member States – which all do have the power to decide legislative acts on their own: In Europe every decision finally depends on agreement within the Council of the EU.

### 2.3 Financial framework and funding

After having portrayed the institutional functions it is important to understand how the financial framework is constructed. A short overview should help to introduce the funding and cohesion policies.


Today the budget of the EU is no longer negotiated year for year because a serious crisis in the 1980’s caused an inability of the Commission to proceed (cf. European Commission 08.12.2001). For this reason the financial perspectives have been introduced to prevent problems for the Commission to finance their policies. Financial perspectives have a duration of six years actually, the financial limit is set to 1.27% of the GDP of the European Union each year.

The EU budget is divided in seven different headings: agriculture, structural operations, internal policies, external development, administration, reserves and pre-accession aid. The main heading is agriculture with 47.2%, followed by structural operations with 33.9% in 1998 and a sum of 32.72 billion € for 2001 (cf. Axt 2000: 219, European Council 2001: 11).

The structural operations are mainly financed by the so-called Structural Funds. There are four with different fields of action as can be seen in table 3. The Structural Funds finance different programmes with certain objectives and the so-called Community Initiatives. Besides the Structural Funds there are other instruments with interest towards cohesion policy. Financially the most
important one is the EAGGF, Section Guarantee. It is effective in the agricultural sector financing the Common Agricultural Policy (CAP) which will be explained later on in this chapter. In the field of enlargement the three instruments of PHARE, ISPA and SAPARD are of special interests because they were set up to adjust the sectoral policies (PHARE for administrational and SAPARD for agricultural reform) and to achieve an adjustment towards the actual EU Member States (ISPA – the equivalent to the Cohesion Fund for the candidate countries). In general the funds finance the policies and programmes. Each fund only supports measures within a policy and/or programme which fit to its guidelines.

table 3: Classification of programmes to funds in the 2000-2006 period

<table>
<thead>
<tr>
<th>Funds</th>
<th>Direct funding</th>
<th>CAP</th>
<th>TEN</th>
<th>Objectives</th>
<th>Community initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funds in billion €</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>Interreg</td>
</tr>
<tr>
<td>EAGGF (Guarantee)</td>
<td>297.74</td>
<td>X</td>
<td></td>
<td></td>
<td>267.37</td>
</tr>
<tr>
<td>Structural Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>18.00</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EAGGF (Guidance)</td>
<td>-</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERDF</td>
<td>-</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESF</td>
<td>60.00</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIFG</td>
<td>1.11</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of Candidate countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PHARE</td>
<td>10.92</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISPA</td>
<td>7.28</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAPARD</td>
<td>3.64</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The European Social Fund (ESF) was established by the Treaty of Rome of 1957. Therefore it is the oldest fund regarding Structural Policies. Regulation No. 1784/1999 formulates the scopes of the ESF as follows: “The Fund shall support and complement the activities of Member States directed towards developing the labour market and human resources” (European Parliament, European Council 1999b: 2). These aims shall be achieved by different measures fighting unemployment, integrating disadvantaged groups into the labour market and reduction of vertical and horizontal segregation on the basis of gender in the labour market (cf.: 2).

The European Agricultural Guarantee and Guidance Fund (EAGGF) contains most of the EU finances (cf. Axt 2000: 101). It was founded in 1962. With the major parts of the EAGGF the Common Agricultural Policy (CAP) is financed. A peculiarity of the EAGGF its division in two sections: The Fund's Guarantee Section finances, in particular, expenditure on the agricultural market organisations, the rural development measures that accompany market support and rural measures outside of Objective 1 regions, certain veterinary expenditure and information measures relating to the CAP. Responsible for this is the General Directorate Agriculture. The Guidance Section finances other rural development expenditure (not financed by the EAGGF Guarantee Section). It is part of the Structural Funds (cf. European Commission 12.12.2001a). EAGGF Guidance Section also finances measures within Objective 1 and the Community Initiative Leader +.
The European Fund for Regional Development (ERDF) was founded in 1975. In the beginning though it had no significance for active regional policies. It was only a certain share of money given to the Member States by quote. The ERDF is meant to create productive investment leading to the creation or maintenance of jobs, infrastructure and local development initiatives and business activities of small and medium sized enterprises (SME). In practice this means that all development areas are covered: transport, communication technologies, energy, environment, research and innovation, social infrastructure, training, urban redevelopment and the conversion of industrial sites, rural development, the fishing industry, tourism and culture (cf. European Commission 12.12.2001c). This shows the universality of the ERDF and is reflected in its contribution to the Structural Policies.

The Financial Instrument for Fisheries Guidance (FIFG) is the youngest in the family of the Structural Funds. Until 1990 it has been part of the EAGGF. After being established as independent instrument in 1993 it counts to the Structural Funds since 1999 (cf. Axt 2000: 103). Aim of the FIFG is to contribute to a sustainable balance between fishery resources and their exploitation, to strengthen the competitiveness of structures and the development of economically viable enterprises in the sector, to improve market supply and the value added to fishery and aquaculture products and to contribute to revitalising areas dependent on fisheries and aquaculture (cf. European Parliament, European Council 1999a: 1p). Within the Structural Funds measures in Objective 1 areas but also measures in the fisheries sector outside Objective 1 regions are financed (cf. European Commission 01.12.2001).
Cohesion as a policy within the EU

Cohesion is the central term of the following chapters. After a first definition of the understanding underlying the official policy and a spatial determination, the development of cohesion policy over time is investigated. This is followed by proposals to achieve the aim of cohesion more efficiently within the existing framework of instruments.

3.1 The „official“ interpretation

The term cohesion derives originally from natural science. It describes the inner bond of molecules of a body (cf. Dudenverlag 1990: 405). 1987 the term was introduced by the Single European Act into the EC Treaty under the title “economic and social cohesion”. Article 158 (A) states:

In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.
In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the less favoured regions or islands, including rural areas.

The Single European Act can be regarded as a major shift in the policy regarding disparities in Europe. It recognised for the first time the necessity for state intervention in order to promote the least developed regions by a treaty and was accompanied by a major reform of the Structural Policy. However, the Structural Policy got its central instrument – the ERDF – already in 1975. The reason was the first northern enlargement of the EU with Denmark, Great Britain and Ireland. Especially the disparities in development between Ireland and the other EU countries were tremendous. Consequently Ireland, but also Great Britain – being hit by the decline of its industries – demanded for support of disadvantaged regions; an idea which is in opposition to “the principle of an open market economy with free competition” as stated in Article 4 of the EC Treaty. And Article 87 declares any aid granted being incompatible with the Internal Market – unless provided in the Treaty. In 1957, the Treaty on the EEC was more strict about these exceptions (cf. Axt 2000: 51-72).

At the Founding of the EEC the prevailing idea was that existing disparities could be reduced by economic integration. The trust lay in the invisible hand of the market as imagined by the market-liberalist Adam Smith. Still nowadays neo-liberalistic theory demands for an extended liberalisation in order to reduce disparities. The idea is that different levels of economic development come along with different levels of factor costs (labour, capital, land). Indeed, the prices for the production factors tend to be highest in the most advanced regions. Provided a free market and unlimited factor mobility, additional production is likely to take place in regions were the factor prices are lowest. Consequently the less developed regions will approach and the whole system tends to an equilibrium.

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1 One could argue that already the European Coal and Steel Community of 1952 knew economic balancing instruments. However these were restricted to the coal and steel sector. Therefore their contribution to regional cohesion policy was rather limited.
However, in the 70’s – under the impression of oil crisis and global recession – the absolute trust in market economies weakened and polarisation theories became more popular. Their implication is that once regions preside over others they are able to extend their advanced position. Different reasons are discussed to be responsible for this process: e.g. specialised infrastructure, knowledge or networks necessary for advanced production are concentrated in the leading regions, since additional growth is to derive out of those resources they are likely to progress faster. Also multiplier effects are described to be essential. An investment done in a core region will not just have a primary effect on the local income, but multiplying secondary effects through the additional demand for supply and goods for consumption. As a result increasing spatial disparities emerge, unless state intervention is to support disadvantaged regions (cf. Schätzl 1998: 129-187, Axt 2001: 151-161).

But how does the actual EU policy fit into theory? It is ambivalent. On the one hand the EU is increasing its economic integration – latest examples being the creation of the Internal Market in 1993 or the Monetary Union in 1999. Both can be regarded as instruments of a neo-liberal strategy. On the other hand the Structural Policy gained importance since its implementation. Twice, in 1988 and 1992 it was decided to double the funding, and by 1998 the Structural Policy accounted with 28.6 billion ECU for 33.9% of the EU-budget (cf. Axt 2001: 65-69, 207). A development being rather opposite to a market philosophy and more in accordance with conclusions from the polarisation-theory. Apparently, the EU does not focus on one set of policies, but uses strategies of both, which is not a particularly consistent but pragmatic proceeding. As to be seen later, it is a policy not at last deriving from different negotiation powers and interests of the different countries making up the EU. However, it seems the development of an expanding Structure Policy has stopped. In the 1999 negotiations on the Agenda 2000 – the policy document for the period 2000-2006 – a further increasement of funding proposed by the European Commission was refused by the Member States (cf. Neueder 2000: 89). Together with increasing financial restrictions the general shift of policies towards a more neo-liberal approach in nearly all European countries seems to be responsible for this change.

The authors of this report generally agree with the mixed approach applied by the European Union. It acknowledges the limitations of theories from both ends: today no theory is able to explain regional development in all consequences. Nevertheless, the recent focus on neo-liberal theory is not shared. The following figures support the need of future engagement: in 1998 the 10% of people living in the most prosperous regions (income by GDP) are still 2.6 times better off than the 10% at the bottom (see European Commission 2001: 6). Consequently the EU has to rather increase its efforts. Even more with the perspective of an enlargement as the disparities shown on the map demonstrate impressively.

But what does „economic and social cohesion” mean in operation? Map 2 uses the indicator of GDP per head in purchasing power standards (PPS). It is the

2 Using purchasing power standards (PPS) or purchasing power parities (PPP) instead of the nominal GDP per head has the advantage to consider the price differences between different countries using the real purchasing power for goods with the local currency (cf. Human Development Report Office of the United Nations Development Program (2001): 135, 254p). Usu-
most common indicator referred to by the EU and in economic science and describes by definition the economic output of a country or region and is often interpreted to represent the overall well-being. The second report on cohesion also uses the GDP as proxy for the regional income (cf.: 10p). Finally it is regarded as an engine for further employment in Europe.

map 2: Regional GDP per head (PPS) 1998

Reference: European Commission 2001c: 5

The level of unemployment itself and also its subcategories, like long-term or youth unemployment, are commonly used to describe the actual social situation of a country and region (cf.: 13-22). To act on these two indicators is the central operational aim of cohesion policy in Europe.3

In practice, the cohesion policy of the EU can be interpreted as a convergence policy. But attention: this interpretation of convergence is not to be mistaken with the term of convergence defining the criteria to join the Monetary Union. However, in economic science convergence can also describe the reduction of ally disparities of nominal comparisons are larger than the ones using PPS/PPP (cf. European Commission 2001: 11).

3 For the limitations and difficulties using especially the GDP as an indicator for cohesion see the alternative approach in this report as discussed in chapter 4.
disparities in regards to an indicator value to zero (cf. Axt 2001: 21-23). Accordingly the European cohesion policy aiming to approach different values of GDP or unemployment is interpreted in regards of the following chapters as being a convergence policy.

But convergence could be achieved at very different levels. The orientation might be towards the best, the average or the worst. The last, probably easiest to achieve, is difficult to support. The second makes sense as providing real compensation. From an economical perspective this approach might be faster applicable than the redistribution of additional growth – but a political perspective feeds the notion as being not easily feasible, too: one would need to take somebody something away. The position of European cohesion policy will be investigated in chapter 3.3.

3.2 The spatial dimension

So far, disparities were discussed between nations or regions. However, it has to be recognised, that the disparities within regions tend to be higher than between regions. In some European cities e.g. the level of unemployment between the least and the worst affected districts varies by the factor 10 (cf. European Commission 2001: 33). Investigating the income of households one will find similar patterns. As to be seen at the figure below, the top 20% of the population receive between three up to seven times the income of the bottom 20%, depending on the country. Both facts are closely linked. The huge disparities within regions are not the outcome of regional or national disadvantages. They are the result of spatial segregation within a society segregated by different levels of income. Those with low income are driven into run down areas, while the upper class is able to afford areas according to its preferences (cf. Friedrichs 1994: 845-847). Consequently, local disparities are the representation of an economically and socially stratificated society.

figure 1: Income inequality 2000

(1) The share of entire national income received by the top 20% of the population to that of the bottom 20%. FIN - data not available.

Income disparities on a household level are dependent to a variety of factors, like personal education and skills, origin or gender (cf. Haralambos, Holborn: 1995). Many authors describe the emergence of a 2/3rd society. A division necessary to the capitalist system in order to “discipline” (Wegener 1995: 214) the workforce by fear of social decline. Neo-liberals and neo-marxists argue about the adequate solution – the one demand less, the others more state intervention. While the first aim preliminary for additional economic growth in order to allow some distribution of the surplus to the poor, the second ones stress the importance of a fair redistribution of the already achieved economic wealth. Again, the actual policy of the EU is using strategies from both schools – with an increasing focus on neo-liberal policies. However, this time the major instruments are non-spatial in their construction. A suitable approach, considering the division existing all across Europe perpendicular to every spatial unit. Fields of action are e.g. the Monetary Union, the Internal Market, competition policy, human resource development, codes of labour – but also gender or immigration policy and even community development. All of these policies aim either to increase the economic growth as a whole or to provide some form of support or protection at the personal level. An exception to the non-spatial organisation of these instruments is the Community Initiative Urban. It tries to limit local deprivation by promoting local communities. As important and successful as Urban might be for a single district supported, it is also a reflection of a failing labour and educational policies. Instead of fighting the 2/3rd society as a whole, the initiative presents an end of the pipe solution.

But also some of the other instruments mentioned exert a spatial influence, and some of them are explicitly linked to the cohesion policy of the EU (cf. European Commission 2001: 69-92). Just one example of neo-liberal policy: the Monetary Union and the Internal Market are to promote the economic integration of the EU. This might help the least developed regions to use comparative advantages to extend into new markets. On the other hand increasing integration might be followed by imports from the advanced regions, being able to use their comparative advantages to extend their markets. By evidence, a general trend cannot be given. Neither a tendency to convergence nor to increasing disparities can be claimed. Furthermore, it is basically impossible to account the effects of different policies – especially in a situation a policy-mix is applied (cf. Axt 2000:137-150).

As becomes obvious, cohesion policy is not limited to a single spatial unit. There are disparities between nations, regions, local districts and households. Consequently there exist policies aiming to reduce these disparities at the different spatial levels. However, the effects are not rigorously limited to the spatial level aimed for, but spill over into other units. The example mentioned before – in the first place aiming to tackle the 2/3rd society by increased growth – might be judged as having a positive or negative spatial effect, depending on the position one prefers.

Another consideration refers to the effectiveness of structural aid – being in the tradition of neo-marxist theory – on different spatial levels: To increase the impact of a measure on one spatial level, it might be best to invest into a already favoured unit, institution or person on the next spatial level. It is likely to be more efficient to promote the growth of a region by the support of a new high tech technology park on the outskirts instead of a self-aid project for long-
term unemployed in a deprived area. But obviously, the second would be more in favour of those districts most in need. Consequently, intra-regional disparities are likely to increase. Similar contradictions occur, when a nation prefers to concentrate investment in the capital region in order to promote the national GDP. This is also happening on European level considering the international competition with the US and Japan where policies are concentrating more on improving the overall economic performance instead of promoting cohesion. Consequently regional disparities within the European Union are likely to increase.

Apparently, cohesion policy is an extremely complex and interconnected field of action. However, the limited extend of this document forces to concentrate on some aspects. The focus is to investigate into disparities between countries and regions. Measures taken on a European, ubiquitarian and not spatially defined level, like monetary, financial, harmonisation, labour or gender policy are not integral part of the discussion. Also disparities within regions, on a local or household level, together with the regarding instruments are left out. This does not mean, policies attempting to reduce disparities on these levels are neglected. In the opposite, they are an extremely important part to achieve cohesion in the EU – as cohesion cannot be limited to regional or national relations but has to respect the opportunities of every single citizen at a local level. The figures at the beginning of this chapter display the need impressively. Consequently the institutions of the EU, the Member States, but also regions and local councils are called for action. But the aim cannot be to seek for the most efficient solution on a highly aggregated statistical unit. Especially the most disadvantaged are not be forgotten.

In regards of the following chapters ubiquitarian or local policies might be considered, where relevant to reduce national or regional disparities. But generally, the focus is on spatial instruments, especially the official Structural Policy of the EU – providing explicitly instruments to promote cohesion. Namely the following policies are considered more in detail: Objective 1-3, Cohesion Fund, Community Initiatives, TEN, ESDP and the CAP.

3.3 The European policy

After examining the foundation of European cohesion policy it is necessary to take a closer look of what spatial cohesion policy in Europe means, what are the important points that characterize it, what are the structures in which spatial cohesion policy works.

Funding in the EU is nothing new. Introduced with the reform of the Structural Funds of 1988 there are funding periods of about six years that go together with a financial perspective. The necessity of a detailed reflection of the success of funding in the passed periods gets evident. Therefore the periods from 1994 to 1999 and from 2000 to 2006 will be looked at closely trying to assess the backgrounds of the different funding periods, especially how the responsible institutions tried to react on unintentional developments in the funding policy. In addition the new challenge of the EU’s enlargement will be analyzed as a part of the second and a third, future funding period.
### 3.3.1 The period 1994-1999

The following table is the attempt to outline the major instruments applied by EU cohesion policy in the past funding period from 1994 to 1999. Their general character is described, as well as other information like the amount of funds it consists of, fields of action, the spatial level the instrument is effective on and the effects desired by its set up.

The 1994-1999 funding period derives in many aspects from the period before. Means for the Structural Funds were increased substantially to 185 billion € including the Community Initiatives (cf. European Commission 2001b: 5). The principles remained the same: concentration, partnership, programming and additionality of funding.

<table>
<thead>
<tr>
<th>Policies and Programmes</th>
<th>Character</th>
<th>Funds</th>
<th>Fields of Action</th>
<th>Spatial Level</th>
<th>Desired Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conceptual Funding</td>
<td>Billion €</td>
<td>Ubiquitarian</td>
<td>National</td>
<td>Regional</td>
</tr>
<tr>
<td><strong>Structural Policies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>X</td>
<td>14.454</td>
<td>Strengthening the economic and social cohesion of the Community</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Structural Funds with</td>
<td></td>
<td>138.205</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective 1</td>
<td>X</td>
<td>93.972</td>
<td>Promoting the development and structural adjustment of regions whose development is lagging behind</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Objective 2</td>
<td>X</td>
<td>15.352</td>
<td>Converting the regions or parts of regions seriously affected by industrial decline</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Objective 3</td>
<td>X</td>
<td>12.938</td>
<td>Combating long-term unemployment and facilitating integration into working life</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Objective 4</td>
<td>X</td>
<td>2.234</td>
<td>Adapting the workforce to industrial changes</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Objective 5a</td>
<td>X</td>
<td>6.136</td>
<td>Adjusting agricultural and fisheries structures</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Objective 5b</td>
<td>X</td>
<td>6.856</td>
<td>Developing rural areas</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Objective 6</td>
<td>X</td>
<td>0.697</td>
<td>Developing regions with an extremely low population density</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Community Initiatives</td>
<td></td>
<td>14.021</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Interreg II</td>
<td>A</td>
<td>X</td>
<td>Cross-border cooperation</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>X</td>
<td>Energy networks</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>X</td>
<td>Cooperation on regional planning</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>1.81</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Now</td>
<td>X</td>
<td>-</td>
<td>Promoting equal opportunities for women and access to future-oriented occupations and positions of responsibility</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Horizon</td>
<td>X</td>
<td>-</td>
<td>Improving employment prospects for disabled people</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Youthstart</td>
<td>X</td>
<td>-</td>
<td>Integrating people under 20 into the labour market, in particular those lacking basic qualifications and training</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Integra</td>
<td>X</td>
<td>-</td>
<td>Integrating people threatened with social exclusion and measures to combat racism</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Leader II</td>
<td>X</td>
<td>1.733</td>
<td>Rural development</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Adapt</td>
<td>X</td>
<td>1.605</td>
<td>Adapting the work force to industrial change and the information society</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>SMEs</td>
<td>X</td>
<td>3.065</td>
<td>Boosting the competitiveness of small and medium-sized business</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>X</td>
<td>0.899</td>
<td>Regenerating urban areas in crisis</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Konver</td>
<td>X</td>
<td>0.725</td>
<td>Promoting economic diversification in areas heavily dependent on the defense sector</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Regis II</td>
<td>X</td>
<td>0.6</td>
<td>Integrating the most remote regions</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Retex</td>
<td>X</td>
<td>0.596</td>
<td>Furthering economic diversification in regions dependent on the textile and clothing industry</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Reader II</td>
<td>X</td>
<td>0.568</td>
<td>Converting steel areas</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Rechar II</td>
<td>X</td>
<td>0.451</td>
<td>Converting coal-mining areas</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Peace</td>
<td>X</td>
<td>0.295</td>
<td>Support for the process of peace and reconciliation in Northern Ireland</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Pesca</td>
<td>X</td>
<td>0.294</td>
<td>Encouraging economic diversification in areas dependent on the fisheries sector</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>CAP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional CAP</td>
<td>X</td>
<td>-</td>
<td>Guarantee of prices for agricultural products</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Rural Development</td>
<td>X</td>
<td>-</td>
<td>Promotion of rural development</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Own Layout, References: Axt 2000: 211; European Commission 1996: 152p; European Commission 12.01.2002a
Concentrating the means of the Structural Funds thought to be reached by the definition of Objectives. Five of them (after the accession of Austria, Finland and Sweden extended by a sixth) have been defined with different indicators and different spatial effect. Mainly the Objectives 1, 2, 5 and 6 had a notable effect on regional development being per definition spatial. In addition the measure of the Community Initiatives was extended to the new funding period, 13 of them have been carried out from 1994-1999.

Partnership was a very important aspect in the 1994-1999 period. More than in the period before it has been considered important that the Commission cooperates with the Member States, the regional and local actors. By this the principle of subsidiarity should be achieved as it was fixed in the Maastricht Treaty of 1992.

In the 1994-1999 period, programming – setting up coherent programmes to be delivered by the Member States after being confirmed by the Commission – was for the first time connected to the financial perspective of the EU. The programming for Objective 1 and 5 were fixed for six years, Objective 2 has been fixed for two periods of three years each. The idea behind this was that changes in regions could lead to different necessities of funding and the Member States should be enabled to adjust the programmes accordingly.

The additionality of funding should encourage the Member States to maintain their own funding for the least developed regions. The defined aim was to maintain the public expenditure at least at the same level as during the previous programming period (cf. Axt 2000: 72).

A new instrument in the 1994-1999 funding period was the Cohesion Fund which derives from the negotiation about the Maastricht Treaty. It was founded in 1992 after the “economic and social cohesion” article had been added to the Treaty (cf.: 68). The Cohesion Fund was founded to adjust the economies and to equip the least developed Member States (Greece, Ireland, Portugal and Spain) with infrastructure to be capable of the Monetary Union criteria. By the Cohesion Fund, projects in the fields of environment and trans-European transport infrastructure networks are financed (cf. European Parliament, European Council 1993: 1p). The Cohesion Fund does not contribute to the so-called Objectives of the Structural Funds.

Another important instrument regarding the EU cohesion policy is the CAP. Its principles are: a common agricultural market, the preference of common goods (a form of protectionism) and the common financing. It has existed since 1957. The aims are: increasing of agricultural productivity, appropriate incomes in agriculture, sufficient food for reasonable prices and the stabilisation of the agricultural markets. It is financed by the EAGGF Guarantee Section. The procedure aims at paying for the production of goods. This leads to higher, and even over-production. In addition the structure of agriculture changed to industrial agriculture by this way of support (cf. Presse- und Informationsamt der Bundesregierung 2000: 21pp). However, the CAP is of major significance, as it means a substantial transfer of income to often deprived rural areas.

But what is about the results of European cohesion policies? The results of the cohesion policies must be compared with the demands made before. Comparing the GDP per head of the Member States it becomes obvious that the gap
between the most and the least developed Member States became smaller. For Portugal, Spain and Greece this means that the GDP per head rose up to 79% of the EU average. Continuing this trend would mean arriving at convergence in about in 20-30 years. An amazing exception in the cohesion process is Ireland which rose from 70% of to 14 percentage points over EU’s GDP average (cf. European Commission 2001c: 4).

Apart from these examples where the cohesion policies of the EU can be called a success there are many problems. The first to mention is that though the Member States seem to come closer together in means of GDP per head, the regional disparities within the Member States remained or became even wider. Differences between and within Member States’ regions can be seen in the graph. The top ten regions in the EU have an average GDP per head that is 60% above EU average while the bottom 10% are 40% below it. Concerning the changes it can be realized that the increases of the bottom regions have not been significant (cf. European Commission 2001c: 6).

The other indicator important for regional development and social cohesion is unemployment. The “Second Report on Economic and Social Cohesion in the European Union” states that employment in the EU is increasingly improving compared to the situation of the mid-1990’s (cf.: 13). In 1997 the unemployment stood at 10.7%, while for 2001 it was expected to fall under 8%. In fact the unemployment remained stable at 8.4% for the Euro-zone (cf. Eurostat 2001b: 1). And the trend is judged even worse by other sources. There the trend is seen as a general problem of the economic policy of the European Commission (cf. Arbeitsgruppe Alternative Wirtschaftspolitik 2001: 45pp). Between different regions in the Member States the disparities regarding unemployment remain or even extend. In Italy, for example, the regions with the highest unemployment levels were 25 percentage points higher than in those with the lowest. The allocation of the best and least developed regions in the means of unemployment rate remained the same (cf. European Commission 2001c: 17).

Observing these facts EU cohesion policies in the 1994-1999 period have failed at most of their aims. The regional disparities of the GDP remained, even
if on a higher level, and the unemployment rate still is and will be a problem in future. It is obvious that programmes for Structural Policies succeeded only in some areas where funds had been concentrated to a high extent, which can be seen by the fact that the Member States eligible for Cohesion Fund support have improved their situation. The attempt to concentrate the funds by defining Objectives failed mainly because on one hand there have been too many Objectives defined and on the other the eligibility criteria have been part of negotiations (cf. Axt 2000: 51 pp). The employment policy, which was an crucial aim of Objectives 3 and 4 but also part of the other Objectives, failed. Groups with special interest for the employment policy such as young people, long-term unemployed and females are still the most disadvantages participators in the labour market (cf. European Commission 2001c: 15pp).

3.3.2 The period 2000-2006

The beginning of this chapter is – as before – a table that shows the relevant instruments for the period. As becomes obvious substantial changes were made. These changes and their likely effects will be assessed by the following pages.

**table 5: The funding period 2000-2006 – policies and programmes**

<table>
<thead>
<tr>
<th>Policies and Programmes</th>
<th>Character</th>
<th>Funds</th>
<th>Fields of Action</th>
<th>Spatial Level</th>
<th>Desired effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Geopol.</td>
<td>Funding</td>
<td>Billion €</td>
<td>ubiqutitar</td>
<td>National</td>
</tr>
<tr>
<td>Spatial Programmes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trans-European Networks</td>
<td>X (X)</td>
<td>-</td>
<td>Infrastructures and accessibility</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>European Spatial Development Perspective</td>
<td>X</td>
<td>-</td>
<td>Spatial framework for planning in Europe</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Structural Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>X</td>
<td>18</td>
<td>Supporting the economic and social cohesion of the Community</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Structural Funds with</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective 1</td>
<td>X</td>
<td>127.543</td>
<td>Promoting the development and structural adjustment of regions whose development is lagging behind</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Objective 2</td>
<td>X</td>
<td>19.733</td>
<td>Supporting the economy and social conditions of areas facing structural difficulties</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Objective 3</td>
<td>X</td>
<td>24.050</td>
<td>Supporting the adaptation and modernisation of policies and systems of education, training and employment</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>FIFG (outside Obj. 1)</td>
<td>X</td>
<td>1.106</td>
<td>Adapting Structures in the Fisheries Sector</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Structural Funds with</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAP</td>
<td>X</td>
<td>267.370</td>
<td>Guarantee of prices for agricultural products, increasingly focus on direct income transfer</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
| Rural Development       | X        | 30.350 | Promotion of rural development | I       | X     | X      | X

Own Layout, References: Axt 2000: 213p; European Commission 2001b; European Commission 12.01.2002b

The Agenda 2000, in succession to the Delors II period, introduced some new aspects into European policies. As started with the 1994-1999 period the new period went together with the financial perspective. Merging these two together
improves the possibilities for coordinated work. With the new period three legislative proposals have been made regarding the CAP, the Structural Funds and the Cohesion Fund. The instruments for the pre-accession countries – also part of the Agenda 2000 – will be discussed in detail in the next chapter.

The principles in the 2000-2006 period remained mainly the same as it has been in the period before. Four pillars bear the cohesion policy system: concentration, programming, partnership and additionnality. However some aspects have changed their meaning or structure. Also the budget of the Structural Funds remained nearly the same as in the period before. It was increased only by 10 billion €, while for the period 1994-1999 the budget was nearly doubled. This was decided because of the European-wide problem of budgets within Member States. Aiming at the continuing concentration process in cohesion policies the Objectives for the Structural Funds were condensed to three, Objectives 1 and 6 became the new Objective 1, Objectives 2 and 5 the new Objective 2 and Objectives 3 and 4 were put together to the new Objective 3. In any case, the contents of the Objectives remained mainly the same so that most regions which were supported before may be funded again. For those regions that fell out the criteria of eligibility (e.g. the Objective 5b regions in Northrhine-Westphalia) there is granted a Phasing Out funding until 2006. The share of the Community Initiatives which are reduced to four has been decreased by 3.65 percentage points to 5.35% of the total Structural Funds budget (cf. European Commission 01.12.2001). Nevertheless most of activities which are no longer mentioned in the new Community Initiatives can be funded similarly because these aims are integrated in the Objectives of the Structural Funds. It must be mentioned that there were no financial changes worth mentioning regarding agriculture. With 297.74 billion € it remains the largest heading in the EU budget (cf. Axt 2000: 210). In substance a second pillar was added to the CAP: the rural development. By this the stress of agricultural policy is enlarged on spatial development and nature conservancy. Also the shift from paying overproduction to more income based funding was continued (cf. European Commission 05.01.2002). The funding period introduced a revealed efficiency monitoring system on the side of the Member States and on the Commission’s side. Hereby the motivation to reform the administering systems towards better efficiency can be realized (cf. European Commission 01.12.2001). Furthermore two new instruments have been introduced. They have no direct spatial influence but are important as a spatial framework and perspective for a Europe which gets closer together. These new instruments are the Trans-European Networks (TEN) that set up plans for European-wide accessibility and infrastructure measures and the European Spatial Development Perspective (ESDP), a kind of scenario for a possible spatial policy in the future.

What are the conclusions to be drawn out of the official European cohesion policies so far? Examining the actual funding period it is easy to see that the aims and Objectives of European Structural Funds remained more or less the same. The concentration process in the funding remained superficial. A lack of courage in the Commission to really change things to their best and an egoistic attitude within the politics in the Member States is evident. One important reason for this is the consensus stipulation for decisions in the European Council.
(cf. Axt 2000: 51ff.). Even instruments – in this case the Cohesion Fund – which were brought into life just to force ahead the Currency Union still exist because of the negotiation processes in the European Council. And Ireland with its amazing development during the past 7 years still receives money from the Cohesion Fund (cf. European Commission 2001c: 4; European Commission: 03.12.2001). This is contrary to the aim of the European Commission to concentrate means to areas where they are required. Problems like this also exist for other fields of funding: there are exceptions in the funding guidelines to ensure a certain backflow to countries. There are even instruments introduced only to ensure that – as it can be seen by the Objective 6 funding for Finland and Sweden, Member States which otherwise were hardly eligible for notable supports (cf. Axt 2000: 72). Most of the means per capita of Objectives 3 and 4 went to the Netherlands, the Member State with the lowest unemployment rate (cf.: 224). All these examples show the necessity for an overall reform. But there are also other reasons why cohesion policies in the EU are not determined. One of the successful instruments in the funding period of 1994-1999 was the Community Initiative “Urban”. However it should be cancelled by an agreement of the Commission and the Member States. This was decided because of the budget crises and the fact that Urban as instrument comes into conflict with the subsidiarity principle. Moreover the effect on regional development could not be proven. In this case the European Parliament wanted to show its power and pushed “Urban II” through the decision making process. On the other hand it must be stated that the Commission, too, has its interest to force some instruments ahead. The former Objective 6 was an attempt to be present in the newly accessed countries even if there was no immediate necessity to support the regions, which were supported in regards of the indicators GDP and unemployment (cf.: 72). Another point are the CAP and agricultural policy in general which still have great importance in European policies. It seems bizarre that this instrument which was introduced with the 1957 Treaty mainly to assure a sufficient supply with food for the citizens of the EU is still the biggest heading in the EU budget while overproduction is actually apparent. The guidelines for agricultural and rural development have to ensure that means are mainly used for the reform of agriculture towards sustainable structures, production and development. A starting point for this was given with the changes in the Agenda 2000.

Spatially the 2000-2006 period will not bring many new aspects. The eligibility criteria, even if formulated more distinct, are mainly the same and therefore the regions funded, too. There is a spatial concentration in the new cohesion policies but virtually no redistribution of means towards requiring regions. The Commission does not dare to implement new instruments that are able to really concentrate the few funds available on the regions which are behind in their development. On the other hand it must be emphasized that originally the Member States are mainly responsible for this situation because of their egoistic thinking in nationalities.

The Commission, not able to introduce more efficient instruments, tries to push efficiency by better controlling. This could be interpreted as an excuse, because even if the funding system already is complicated, it does not get more transparent and efficient by putting new hurdles to the process.
In the end most of the problems and disparities are likely to remain even after the 2000-2006 funding period. Problems with economic growth in some regions will not improve with the existing cohesion policies, and the same is valid for the problem of unemployment. Growth will remain on the same low level as it is at the moment and unemployment will remain one of the key problems. The actual cohesion and Structural Policies seem not to be able to change these general trends.

If the Commission and the political leaders in Europe really want to face the situation an end of the sectoral and national thinking has to be found. As long as the Commission thinks to push forward European integration by being part of every project in every Member State a serious concentration of the means will not be possible. The same is valid for the Member States who try to get the most out of the European budget even if they are well aware of the fact that there are regions in Europe that are much more in need of it. A real reform of financial distribution is the condition for a better development in the future. This even more seeing the perspective of the EU enlargement in 2004.

3.3.3 The enlargement of the European Union

The upcoming accession of the CEEC is the major challenge for the European Union in the nearby future. Especially the Structural Policy will have to cope with demands never known before. Figure 3 shows the tremendous need for assistance in regards of the indicator GDP. The mean of applicants does not even reach 50% of an EU26 average. Bulgaria is close to fail the 25% borderline. On a regional level the disparities are even more worrisome: Most regions attain less than 30% of the EU27 average, while many not exceed even 15% (cf. European Commission 2001d: 7).

As a consequence, the European Union started early to assist the CEEC in their transformation process: PHARE – Poland and Hungary Aid and Restructuring of the Economies - was originally designed in 1989 in order to help the central European countries through a “period of massive economic reconstruction and political change” (European Commission 07.12.2001). In 1993 it was reoriented especially to support infrastructural investment. Reformed again in 1997
it became one of the three pre-accession instruments financed by the European Communities when ISPA and SAPARD were created in 1999 as part of the Agenda 2000. Its current focus is on institution building, public administration reform and investment support. It funds projects in the area of economic and social cohesion. The first programmes under this objective have been financed in 2000. One important aim of PHARE’s strategy is that by integrating it into the governments’ own structures these were orientated “into a form suitable for running Structural Funds after accession” (European Commission 07.12.2001). One way to achieve this is to “introduce progressively Objective 1 style approaches with substantial financial resources into PHARE’s support to economic and social cohesion” (European Commission 07.12.2001).

The year 2000 was the first operational year for the Instrument for Structural Policies for Pre-Accession (ISPA), the second of the three pre-accession instruments. Its realization follows an approach similar to that of the Cohesion Fund funding environmental and transport infrastructure. By the European Commission it is actually considered as a “pre-Cohesion Fund facility” (Lindsay 1999: 2p) and is fairly distributed between the two sectors as well as the candidate countries (cf. European Commission 2001a: 6-9).

One important programme financed by ISPA is the extension of the TEN to central and eastern Europe, the so-called TINA-Network, a vast infrastructure programme which is supposed to allocate 90 billion € until 2015. However, as the ISPA just provides 3.64 billion € for transport measures till 2006, most of the funding is to be provided by the single candidate countries. This will make up to 1.5% of their annual GDP. Additionally, it seems that the TINA projects will only create a “second class” network since its top speed is limited at 160 kilometres per hour – about half of what is predicted for the European high speed railways (Ebeling/Kirsch 2000: 305p).

SAPARD, the Special Accession Programme for Agriculture and Rural Development is the third pre-accession instrument and “aims to support the efforts made by the candidate countries to prepare for their participation in the CAP and the Single Market” (Wilkinson/Korakas 2001: 17). Its two main objectives are to solve specific problems in agriculture and rural development and to contribute to the implementation of the EU agricultural legislation (Wilkinson 2001: 17).

Finally 39.58 billion € are reserved for those countries which enter the EU during the actual financial period in order to finance policies similarly to the existing EU15 (cf. Axt 2000: 192). Together with the pre-accession provisions, the CEEC are to receive 47 billion € in the 2000-2006 period. In the same period 213 billion € are programmed for the structural measures in the current Member States (cf. Vorauer 2001: 40). Considering the vast disparities regarding the economic state of the accession counties, these relations look like the Member States of the EU allow the major part of funds for their own egocentric purposes while the necessities are the other way around. This is sustained by Axt, who calculates a funding of 1,584 € per head in the EU15’s Objective 1 regions, while the candidate countries are just applicable of 716 € per head over all three objectives (cf. 2000: 195).

However, despite all the money being provided by the EU, assisting the transition to full EU procedures seems to be another important aim of these instruments. As a consequence the candidate countries should not face too many
difficulties with the procedures of administering structural funding and applying Community rules and regulations – the so-called acquis communautaire.

The future of Structural Policy after the accession of the CEEC – in particular Objective 1 – is reflected upon by the European Commission within the Second Report on Economic and Social Cohesion. The first proposal is to keep the threshold of 75% of the average GDP, independently of the number of the accessing countries. The consequence of this would be that almost all objective 1 regions of the 2000-2006 period will drop out of funding since the average income will decrease significantly (cf. European Commission 2001c: xxxi). The second possibility is to keep the same threshold as above but all the countries that are eligible for Objective 1 in the current period will receive funding for the period of phasing out, including two possibilities of phasing out funding: One for regions (EU15) that will reach the threshold until 2006 and a second one for regions that still will be eligible for funding after 2006 (cf. xxxii). Both possibilities are not likely to be accepted by the poorer Member States of EU15 which are opposed to a reallocation of the structural funds versus a high funding of the accession countries and a low funding of themselves (cf. Senior Nello/Smith 1997: III B). Portugal, for example, considers itself still in transition and is afraid that the enlargement might have sharp negative effects for its still unstable economic situation (cf. Pires 2001: 20). This view is certainly shared by the other cohesion countries.

The third possibility considered is to define a new threshold which will be that high, that the regions that would drop out of funding because of the decreasing level of average income will still receive funding (cf. European Commission 2001c: xxxii). According to sources cited by Senior Nello and Smith (cf. 1997: III B) this threshold would have to become more than 90% of the average GDP per capita. But increasing the EU budget means that every member state has to increase his part in the supranational budget which is not possible without “painful” (Koch-Weser 17./18.10.2001) cuts in their own national budgets. According to him the Member States are not capable to increase their share of the EU budget and therefore cohesion policy “has to follow economic constraints” (Koch-Weser 17./18.10.2001).

The fourth possibility is to define two thresholds – one for EU15 and one for the accession countries which will lead to two different categories of less developed regions (cf. European Commission 2001c: xxxii). On the one hand this would not render the regional policies become more transparent, on the other hand opposition by the applicant countries is likely to occur, as they were forced to feel like second class members.

In addition to these considerations there are thoughts about a special, very high quota of co-financing the different programmes and projects in the accession countries since their budget is very low in comparison to western budgets. Therefore the European Union should co-finance a bigger share of the different expenditures (cf. European Commission 2001c: xxxii). However, contrary to this thought the European Council has introduced an overall funding threshold of 4% of the preparing countries’ GDP (cf. Neureder 2000: 91p). Considering calculations made by Schrumpf, eight out of twelve candidate countries might get a problem as they are possibly not able to acquire all the funds they are eligible to by funding criteria (cf. 2001: 34).
With the prospect of the approaching first wave of enlargement there is a need for some reforms of the EU decision-making process as well as of the Structural Policies. Without reform of the decision-making procedures they could become slower or blocked after the accession of further countries. This could be especially problematic when decisions have to be taken unanimously (cf. Senior Nello/Smith 1997: III A). The last reform of the Structural Policies seemed rather to consolidate existing positions instead of starting preparations towards enlargement (cf. Axt 2000: 183).

Koch-Weser, e.g., pointed out that a reform of the Structural Policy is necessary because of "efficiency reasons" (Koch-Weser 17./18.10.2001) even without enlargement. But enlargement is increasing the pressure to reform the policies. Moreover the Structural Policy is based on economic factors and indicators since the European Union basically is an economic union. But as integration is growing, more and more non-economic policies are getting touched by the European Union. Cohesion and convergence of European regions and spatial equity as their goal have more than only economic dimensions as a matter of fact they influence the social but also environmental and cultural dimensions of Europe and its citizens. This fact has to be taken into account. The present Member States and especially the so-called cohesion countries should be grateful for the support they have received over the years. When enlargement comes they should demonstrate solidarity with those in need – with the poorer CEEC. (cf. Vorauer 2001: 41, Koch-Weser 17./18.10.2001).

In regards to solidarity - the four cohesion countries still receive funding from the Cohesion Fund in spite of the fact that some of them have already passed the threshold of GDP per capita below 90% of EU average, Ireland has even passed the EU average GDP per capita and still is being financed by the Cohesion Fund (cf. Boldrin 2001: 224). How is this supposed to continue after enlargement when the new Member States are in need of this kind of funding?

One point which has not been mentioned so far and which could cause further troubles is the CAP. Its financial redistribution system which aims at guaranteeing a decent standard of living to Europe’s farmers makes up almost 50% of the EU budget (cf. Vorauer 2001: 42). The preparing countries’ important agricultural sector therefore will impose further demands on the EU budget so that financial tension will rise without reforms. Moreover the CAP is important for regional development as the development of rural areas constitutes its second pillar (cf. European Commission 2001c: xvi). Besides the need to reform the Union’s Structural Policies there is the need to reform the concept of the CAP, too.

In the end, with or without reforms, the question remains, when convergence in the EU will take place. The European Commission predicts that it will take about one generation for EU15 until the regional differences will have converged. The enlargement will prolong this process up to at least two generations (cf. European Commission 2001c: xii). Petzold (03.12.2001) predicts about 30 to 40 years until the preparing countries will reach 75 to 100% of EU average income.
3.4 Adjustments regarding the existing framework with the perspective of the enlargement

As shown, there is a tremendous need for a cohesion policy in the European Union. The disparities in regards to GDP and unemployment are still huge and will increase by the upcoming accession of the candidate countries. However, applied cohesion policy has proven to be rather ineffective: Busch, Lichtblau and Schnabel did not identify a statistical correlation between regional growth and European regional funding (cf. Axt 2000: 150) – a destructive result!

What are the major problems to be identified? First of all there is an obvious need for an institutional reform. Manifold examples have shown the mutual blockades of competing Member States, the European Commission and – last but not least – the European Parliament. The existing structure of the decision-making system makes it difficult to decide on inconvenient measures. As long as everybody is trying to expand their own share conflicts are the logical result. As a consequence the capability of reforms is extremely limited. But these are fundamentally necessary to improve the efficiency of the cohesion policy. Therefore – as a first measure, demands for an institutional reform are to be developed with the focus to improve the capabilities for real reforms (3.4.1).

In a second step, these necessary reforms are to be developed. Using the existing framework of funds and programming, the mode to direct aids to the ones most in need has to be revised. The examples mentioned before demonstrate that a reasonable share of funds is rather to ensure some minimum backflows to single Member States, instead of providing the least developed regions with the necessary help. This are circumstances which are no longer to be accepted. Consequently the existing programmes and funds are thought over in regards to criteria and size (3.4.2).

Finally the European mobility concept – namely the TEN – is part of this conceptual outline: as a sectoral field of interest with regards to its spatial consequences. As to be shown, the spatial effects do not necessarily correspond with its aims. Therefore ideas have to be contrived, how to promote a better accessibility of peripheral regions, instead of extending the apparent advantages of the central regions (3.4.3).

At this stage, the policies proposed will use the foundation of the actual framework: First, the indicators GDP and unemployment are taken as the major aims. Second, the understanding of cohesion is characterised by convergence. This means to approach the least developed regions in regards of the indicators to the average. Third, policy making through the use of funds and programming is maintained. However, the actual framework is extended by the explicit consideration of the future enlargement of the EU. All adjustments proposed are meant for a EU of 25 to 27 Member States.

3.4.1 Institutional reform

Institutional reform is necessary in two regards: On one hand a functional reform to implement more efficiency into the decision-making process and the capability to agree on necessary, but unpleasant measures. On the other hand a reform of attitudes. This will have to be conducted first.
Especially the Member States are asked to reflect their own position towards Europe and towards solidarity as stated by Article 2 EC Treaty in particular. Finally, every functional reform will remain impossible when the Member States persist on exhaustive veto-rights or exceptional rules as lately done by the negotiations of the Treaty of Nice (cf. The Economist 16.12.2000). This is even more of a pity, as the negotiations aimed explicitly for a reform of the decision-making system. Europe is not everybody’s milking cow. However, a different attitude cannot be prescribed by law – it requires a common notion for the European idea. A demand, that is not limited to the national institutions. Furthermore the people of Europe have to be convinced by the European Idea. Otherwise not a single national representative will be able to pass over more power to common decisions.

As a first measure positive publicity has to be promoted by the European institutions as well as by the Member States. Consequently Europe should not be presented as the favourite scapegoat by national leaders, while claiming benefits for themselves. One popular example for the second are the “forgotten” publicity regulations. Projects funded by the EU are to be indicated by specific boards to display European engagement to the people. However, often local politicians prefer to use these projects for their own reputation (Axt 2000: 35). Control has to be more effective in this regard. In addition, a common advertisement campaign has to be set up in order to create a positive image of Europe and the European institutions. Marketing disasters like the introduction of the Euro in Germany have to be prevented in the future. From experience, countries like Ireland or Belgium are doing much better.

Having achieved a more positive attitude towards Europe it is time to set up functional reforms. In the short term, the alterations obtained at the Nice summit have to be continued. Especially the extended majority voting for decisions by the Council of Ministers – the main forum for making EU law – can be regarded positively. However, the mode for a qualified majority, pushed by France at the Nice summit, is rather complex: 74.6% of votes and 62% of population represented by the votes are needed for an agreement (cf. The Economist 16.12.2000: 24). The simple double majority, meaning 50% of votes and 50% of population represented by votes is needed for an agreement, as proposed by the European Commission should be preferred: On the one hand this is more in harmony with the common understanding of majority, on the other hand inconvenient decisions are easier to be achieved. Besides, the fields of policy decided on by majority voting have to be extended further. A good example is the Structural Policy. At the Nice summit it was decided – under the pressure of Spain, being in fear to loose significantly at the next negotiations – to introduce the majority voting for Structural Policy just by 2007.
But this will be to late for the decisions on the 2007-2013 funding period (cf. 25). Consequently a real reform of the Structural Policy is not likely to take place before 2014. That are more than ten years to go – too much time to be wasted! It strongly has to be demanded to introduce the majority voting on Structural Policy before the next round of negotiation takes place.

In the long run it is desirable to transfer more power to the more independent European institutions, namely the European Commission, the European Parliament and the European Court. These are less dependent on national interests and therefore more likely to act on behalf of the European idea and solidarity between nations. However, also these have to overcome certain self-interests of the past. Just one example: pursuits of the European Commission to extend its power into ever more areas of policy but also onto the local level – often criticised as being not in correspondence with the subsidiarity principle – are analysed as a natural result of an administrational strive for more power and especially budget (cf. Axt 2000: 160). This is important to be recognised, because the demand made for more power in the hands of central institutions is not meant to concentrate the execution of decisions. On the contrary, the operational application of policy has to remain on a decentralised national or regional level. The EU is often described as a multilevel-governance system (cf. 163-181). This implies that actions, but also decisions are taken on different institutional levels in regards of their responsibility. For the European institutions this level has to be defined in the overall strategy of redistribution and coordination. At the moment, those strategies defined mainly by the European Council or the Council of Ministers. In parts the European Parliament is participating, but the essential hurdle remain the national representatives.

The alternative could be a system similar to federal countries like the USA or Germany. Consequently the legislative power should be divided in two chambers: The first one represents the population by direct election as the European Parliament does already. The second one consists of representatives of the national governments similar to the German Bundesrat representing the Bundesländer. This mode too, is quite comparable to the existing system of European Council and the Council of Ministers. But in opposition to the existing mode, the relation of power should be shifted more towards the European Parliament. Preferably by the requirement of approbation from both chambers in equal parts on every decision, whereas a qualified majority is defined as before, meaning a simple double majority.

At the same time, the European Commission should be developed to a proper executive power elected by the legislative power accordingly. At the moment the European Commission is set into position by the European Council in connection with the European Parliament. Especially due to the fact, that the European Council itself consists of the leaders of the national governments the legitimizing chain is rather distant. Therefore the European Commission should be elected by the European Parliament in the future. The weight of votes by countries in regards to decisions has to be set simply in proportion to the national population not by haggle. And, as mentioned before, the empowered Commission has to consider the subsidiarity principle and focus on strategy and coordination.
Besides, the European Court – being a control institution – should be empowered as well. Especially the declaration of an European Constitution is crucial. The actual lack of a constitution forces the European Court to draw some of its decisions from national law or common meaning (cf. Presse- und Informationssamt der Bundesregierung 2000: 80pp). Consequently a constitution could provide the legal foundation for fundamental decisions of the court. Furthermore, the aim of cohesion could be properly secured, and a right of regions and countries for solidarity might be considered. As a consequence, cohesion policies were not any longer dependent on negotiation power between states, but an aim checkable by court.

Finally an European Constitution would provide Europe with one single uniting document representing the common values of democracy, freedom and solidarity. Together with a more simple and just distribution of power as outlined before Europe might be brought closer to its citizens. In fact, the European Council seem to move. Mid December 2001, at the Council of Laeken an assembly was set up to procure an European Constitution by the year 2004. Also proposals for an organisational reform are part of its task. In the end, the culminating finish might be the declaration of the United States of Europe, a very positive perspective.

3.4.2 Programmes and funding

Having elaborated an institutional reform within the existing framework it is now possible to look at the changes of the Structural Policies, be it the programmes or the funds which are used in a certain way. A concept for the cohesion and Structural Policies will be outlined that could work within the existing framework just by modifying and adjusting programmes and instruments. Later on in the report this approach will be thought ahead.

The aim of the Structural Policy of the EU is economic and social cohesion within the territory of the EU. Taking into account the eastern enlargement which will probably take place in 2004 it is important to look further than most of the actual adjustments do.
It must be settled that the whole procedure of European funding is not transparent. The system with four sectoral Structural Funds tends to confuse. Aim of a new cohesion policy must be its transparency. This can be achieved by different means: Consolidating the Funds into one that generally finances measures in different fields of actions or instead of that defining the new funds as the objectives are defined. A similar action should be taken for the Community Initiatives.

The four pillars of the Structural Funds were earmarked as concentration, partnership, programming and additionality. These four have to be adjusted to achieve a better functioning within cohesion policy.

Concentration is a good aim but it has to be supported by really concentrating on the least developed regions. A concentration of the means is necessary. This is possible by putting the funds structurally effective together to one heading. At the end there are not anymore four Structural Funds but only one which finances structurally effective measures. The new fund shall be situated at one responsible authority, best at General Directorate XVI responsible for Regional Policy. The concentration in the area of the Community Initiatives has to be extended, therefore Community Initiative Equal has to be canceled because of its lack of concentrated regional effect. In a second step the necessity of the Community Initiative Urban has to be thought over. Though its evaluation showed that is was successful, one has to reflect about the necessity for the Commission to go so far in detail, also taking into account the subsidiarity principle and the fact that the effect on structural development is notable only on local level, in the neighbourhood where it was implemented, but not for the region as a whole.

The principle of partnership will be retained as it is. Generally the structures could be more transparent, but it is important to let the Member States participate in the programmes relevant for them. Therefore the general framework with steering groups will remain. Complementing the partnership principle a new principle has to find its way into European and national politics, a principle which guarantees the best distribution of the financial means. This principle is called solidarity. It ensures that the structural means go to the regions where they are needed. In general the backflow rates to the better developed Member States will decrease. Taking into account the EU enlargement it gets very clear that this has to take place because otherwise the economic and social cohesion cannot be achieved within decades or even centuries.

Programming is a necessary part of the funding policy, though it would be easier if there were less steps to take to achieve the funding of a certain project. The programming procedure should be improved. In general the Member States should agree on the administrative institutions that are responsible for the programming within the Member States. This is no threat to the subsidiarity principle but it simplifies the situation and improves the comparability of the programmes in the Member States and between them. It would even simplify the information about the programmes.

The additionality principle has to be adapted to the needs of regions. Within the reform of the cohesion policies that will follow this additionality idea will be adjusted. It must be adjusted if the EU enlargement of 2004 is taken into account. The additionality principle has to be thought over for the least developed regions to ensure their development towards EU average.
The next level of discussion are the Objectives and their eligibility criteria. Apart from the former Objectives 1 and 6 (now Objective 1) no hard criteria are used. This makes the process disposable to negotiations. In general this procedure leads to negative results in terms of cohesion policy. Objective 3 even does not have any criteria where it can be used except from the Objective 1 area exclusion. In result this means that regions can be supported which do not have any problems as mentioned before (cf. chapter 3.3.2). This is counter productive for an effective cohesion policy as a pure policy of backflow is poisonous. The same problem matters for the Community Initiatives.

Realizing these adjustment measures even more transparency can be achieved. In a second step the eligibility criteria and the Objectives especially have to be reformed. The result is a concentration on three Objectives that are clearly distinguished. All measures of the existing Objective 3 are no longer funded in regions which do not require support. The eligibility criteria of the new Objectives for structural funding are hard criteria. No longer negotiation processes interfere with the best use of structural means. In effect this eligibility criteria are as follows:

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<tr>
<th>New Objective 1</th>
<th>New Objective 2</th>
<th>New Objective 3</th>
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<tr>
<td>NUTS III regions whose GDP (per head) is less than 65% of Community average and unemployment rate is more than double of Community average</td>
<td>NUTS III regions whose GDP (per head) is less than 80% of Community average and unemployment rate is above Community average</td>
<td>NUTS III regions with Continuously decreasing GDP (per head), which leads to a GDP under Community average and Continuously increasing unemployment rate which leads to an unemployment rate over Community average</td>
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The overall means for a New Structural Fund have to be increased for the forthcoming EU enlargement. The authors agree with the Arbeitsgruppe Alternative Wirtschaftspolitik which pleaded for 5% of the EU’s GDP in disposition for EU policies (cf. 2001: 10). In regards of the Structural Policy this makes sense because most of the Candidate States’ regions are lagging behind much more than those regions that are within the EU15 Member States. In addition to this the limit of 4% of the Member States’ GDP is to be cancelled. The authors believe the new Member States capable of respecting their financial limits.

Spatially the New Objectives are supposed to be distributed as followed: New Objective 1 is created in particular for the regions in the CEEC, while New Objective 2 is meant to support the former Objective 1 regions of the EU15. Some of the former Objective 2 regions are likely to phase out of European funding, unless they are not eligible for the New Objective 3 or for Objective 2 through an unemployment rate over average.

Concentrating the support on the most requiring regions the New Objective 1 gets a share of 70% of the means of the New Structural Fund while New Objective 2 gets 15% and New Objective 3 10%, the rest is given to the Community Initiatives. Taking into account the overall expansion of the financial means, also New Objectives 2 and 3 and the Community Initiatives are equipped with a considerable budget. A percentage of 15% own finances seems realistic seeing the situation in the Candidate countries. This is for New Objective 1 while New Objective 2 should have an own financial share of 40%
and New Objective 3 of 70%. This percentage ensures that all regions are able to apply for European funding even if their budget is low. The Cohesion Fund no longer exists in the new framework. Negative effects created by this will be buffered by the new eligibility criteria for the New Objectives. All spatially effective parts of agriculture policy – the second pillar of the CAP and the EAGGF Guidance Section – are integrated in the New Structural Fund. Generally the funding policy is to be integrated in an European development framework. The ESDP was a good starting point and should be pushed ahead. Funding of measures should not be in conflict with the aims of the ESDP.

The overall spatial effect of the new instruments will be a weaker backflow to the net paying Member States. Only very few regions which are at the moment eligible for Objective 1 support will remain in this Objective. Instead of them mostly regions from the Accession Countries will find their way into the European funding system. New Objective 2 will be able to buffer the situation for the regions whose former funding will phase out, while New Objective 3 will prevent regions from falling back behind the general European development.

3.4.3 Accessibility and the Trans-European Networks

Since empirical studies have proven the correlation between a region’s accessibility and its economic power and since many lagging European regions are located in the periphery of the EU, the goal of decreasing regional disparities by improving the accessibility and therefore the physical transport infrastructure of those handicapped regions has been established (cf. Schürmann et al. 2001: 126). However, there is doubt about the success of this approach. Spiekermann/Wegener claim that the TEN “may widen rather than narrow the differences in accessibility between central and peripheral regions in Europe” (Spiekermann/Wegener 1996: 41). Surely, even the peripheral regions will benefit to some extent from the infrastructure investment and the gain in accessibility but the central regions in the European core will benefit even more (cf. Spiekermann/Wegener 1996: 41; Vickerman et al. 1999: 12p; Lemke et al. 2001: 44p). The aim of investing in transport infrastructure is to facilitate the accessibility of central markets for goods produced in peripheral regions. This is possible but also the opposite may occur: the central regions may absorb the economic power of the peripheral regions and “invade” them with their goods (cf. Spiekermann/Wegener 1996: 37). Both regions have the opportunity to explore new markets, it depends on who is stronger – the peripheral or the central region – to determine who will conquer whose markets.

The authors of this report share the view that the actual policies of designing and realizing these trans-European transport networks are in contrast to the demand of economic and social coherence as stated e.g. in Article 2 of the Maastricht Treaty. Therefore, adjustments are to be made in the policies regarding the TEN in order to be supportive of the cohesion aim. The target is to secure better accessibility to the less developed regions in comparison to the central regions.

In order to decrease the effect of central regions absorbing the economic power of peripheral regions it is necessary to connect the peripheral regions with each other and not only with the centre. The peripheral regions have to build a network that can withstand the central markets and constitute an equal partner.
Therefore, in order to reduce regional disparities, transport infrastructure investment in peripheral regions has to be forced “at the expense of transport investments in the European core” (Spiekermann/Wegener 1996: 41).

Moreover, transport investments only lead to successful regional development in cases where they remove bottlenecks and at the same time the economic power has been below average (cf. Vickerman 1999: 3, Schürmann et al. 2001: 126). Therefore big parts of the predicted sums primarily should be invested in these cases and not in the forced improvement of the high speed railway system in central Europe. At the same time infrastructure investment has to be combined with economic support, especially of the SME in the peripheral or back lagging regions.

The main importance of the railway TEN is to establish a trans-European high speed railway network (cf. Vickerman 1999: 6) – only in Greece and in the preparing countries the focus is on the conventional railways (Lemke et al. 2001: 44). The European Commission stated in 1996 that the railways in Europe should secure mobility (cf. European Commission 1996: 3) in a sustainable way (cf. European Commission 1996: 8). This goal cannot be achieved simply by improving accessibility in the high speed network. There is also the need for a well-functioning “secondary” conventional railway network which is distributed evenly throughout the whole European territory and connects primarily those regions that will not be touched by the high speed railway system. This could also secure the aim of improving the quality of life of the European citizens since the citizens will benefit in their daily life and improve their own personal mobility. This might be the social component of the TEN since accessibility is not only important for business and businessmen but also for the “normal” citizen.

In any way, as already stated in chapter 3.3.3 the investments into the conventional railways will establish a “second class” network in some regions. In order to avoid this also Greece and the accessing countries have to be connected to the high speed network, otherwise they will not benefit as much from these huge investments. Both networks – high speed and conventional – have to be distributed in all regions in order to have a sustainable impact on accessibility and cohesion.

Every means of transport has its range in which it has an advantage of accessibility in respect to the others. The car is the fastest means of transport for shorter distances up to 200 km since it is able to connect decentralised regions directly whereas the railway has an advantage from 200 to 600 km since it can travel faster than the car (in the high speed network) and still is faster than the airplane because of the short check-in and check-out time. For distances of more than 600 km the plane is better suited since it is able to reach very high speeds and can connect easily regions that are very far away one from another and it can reach peripheral and ultra peripheral regions (cf. Lutter/Pütz 1993: 627/ff). The policies regarding the TEN and transport in general have to take notice of this fact and support each means of transport just in the area which it is best suited in. Therefore policies should not support short distance flights but focus on a certain number of large, central and well-accessible airports that serve as changing point from middle-distance rail travels to long-distance
flights. Moreover transport policies should promote trains as a mass transport system to cover long-distance travels instead of favouring the car. The realisation of the TEN-T depends on huge financial resources which sum up to an estimate of 400 billion €, about half of it for the railroad network whereas the other half is divided for the airport, the water road and the road networks. Financing the TEN-T is primarily a national task. However, in 1996/97 the EU has co-financed about 30% providing resources from the EU TEN-T budget, the Cohesion and the Structural Funds or ISPA for the candidate countries. Further the EIB contributed with significant loans (cf. Lemke et al. 2001: 43p). More than today, the poorer Member States as well as candidate countries, should receive higher funding for the TEN in the future. The New Objectives 1-3 or EIB loans on special conditions are to provide resources which secure that also the poorer regions will be able to finance a “first class” network with a conventional railway network as basis.

Finally, the TEN do not only include transport measures but also investments in telecommunication and energy (cf. Lemke et al. 2001: 42). The authors of this paper think that investments in the telecommunication networks must be augmented and a shift from investing in physical infrastructure (e.g. railroad) towards promoting “technological convergence” (Martin 2001: 33) has to take place. Facilitating the use of telecommunication means and of the internet can connect the inhabitants of peripheral regions more effectively to the economic cores. It can be one way of increasing the mobility of labour without the need to travel the distance to the work place every day. By exploring the possibilities the information technology offers people can work in peripheral regions for companies that are actually located in central regions. These companies can exploit the advantage of cheap labour but still be located close to central markets. Proposals regarding the “physical” mobility of labour will be considered in chapter 4.3.3.
4 An alternative policy of cohesion for the EU

So far the proposals to improve cohesion policy within the European Union were set within the existing framework of indicators and instruments. Nonetheless, some of the adjustments proposed are quite progressive. Of course this limits the chance for application, but the measures proposed are regarded to be necessary in order to improve cohesion in the interpretation of convergence in regard to GDP and unemployment as applied by the EU.

This chapter will go even further. On the one hand it will try to extend the limited understanding of the EU by the introduction of two new indicators. On the other hand the existing framework of instruments – the system of funds and program-planning – will be replaced by an alternative compensation system.

4.1 The „alternative“ interpretation

What are the reasons an alternative interpretation of cohesion is necessary? It is necessary because of the limitations of the official approach. Two dimensions are under critique: First, the indicators used are very much restricted to an economic understanding. Second the system as a whole appears to be rather ineffective to receive its aims.

The indicators used by the EU are unemployment and GDP. However, it is not unemployment being inadequate. On the contrary, unemployment is definitely a major threat for social cohesion and therefore worthwhile to be used.

<table>
<thead>
<tr>
<th>Table 7: HDI comparison</th>
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<tbody>
<tr>
<td><strong>GDP ph (PPP)</strong></td>
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<tr>
<td>Index</td>
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<tr>
<td>EU 15</td>
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<td>Austria</td>
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<td>Belgium</td>
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<td>Denmark</td>
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<td>UK</td>
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<td>EU 20</td>
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<td>Czech Republic</td>
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<td>Hungary</td>
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<td>Slovenia</td>
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<td>EU 27</td>
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<td>Cyprus</td>
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<td>Latvia</td>
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<td>Lithuania</td>
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<td>Malta</td>
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<tr>
<td>Romania</td>
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<tr>
<td>Slovakia</td>
</tr>
<tr>
<td>EU 28</td>
</tr>
</tbody>
</table>

Own layout with reference to Human Development Report Office of the United Nations Development Program 2001; * The five ranks performing best or worst in each category are marked bold.
Under critique is the GDP – especially the assumption that it is providing a indicator for human well being. Aware of its limitations the United Nations increasingly operates with the human development indicator (HDI). An indicator introduced to compare the degree of human development between the first and third world, not just within the developed countries under economical assumptions. Consequently the indicator recognises in addition to the GDP also health and education to state the progress in human development (cf. Human Development Report Office of the United Nations Development Program 2001: 133-264). Comparing the different ranks on table 7 a gap between the EU15 and the candidate countries is apparent. Also a correlation between the GDP and the other indicators can be observed. However, the disparities are less in regards to health and education compared with the GDP. Furthermore the ranks within the EU15 differ greatly between the different indicators – an indication for the proximity of the Member States in regards of the overall result. Concluding, the GDP is an important but not the only indicator describing human well being.

But what are the suitable indicators for a future development of indicators? As mentioned before, the HDI is rather to compare developed countries with the third world, consequently the gap between the best and the worst in regards to health and education is comparatively small. And considering the observed correlation with the GDP one can conclude the best way to improve health and education is finally economic growth.

However, a thoughtless demand for rapid economic growth contradicts with more basic human needs: clean water, pure air, intact ozone-layer, etc. These are to be protected – globally as well as locally. Considering all human activity is based on the natural environment, human progress has to draw in the ecological perspective. Certainly environmental considerations are increasingly introduced also into the Structural Policy. The obligation of environmental assessments being just one example. Nevertheless, a consequent and equal notion of the ecological factor is still missing. Furthermore, a “development based on market forces and growth maximisation is one of the most significant causes of global ecological destruction” (Trainer 1990: 277). Consequently a more integral approach has to be developed. In 1987 the World Commission on Development and the Environment proclaimed the principle of sustainable development. Today it is generally agreed, that sustainable development has to consider economic, social and environmental aspects. The notion of ‘economic and social cohesion’ neglect this demand. To extend this interpretation of cohesion by the environmental aspect is one major focus of the alternative concept.

A second major focus is the cultural perspective. The cultural diversity in Europe – developed over centuries – is a major potential and comparative advantage of the EU. It provides a wide variety of products and lifestyles and is central to the touristic attractiveness of Europe. Unfortunately, a policy of growth maximisation is also a threat for regional cultures. Under the pressure of European markets traditional products, but also modes of production, are likely to be destroyed by the demand for more efficiency or the necessities of harmonised norms. Additionally social bonds are weakened and traditional ways of living are likely to be replaced by more uniform habits. On the other hand cultural divergences might lead to cultural tensions. Especially the aversions of some nations to each other – best to observe at a football ground - are
hindering the cultural cohesion. Consequently a double strategy has to be developed. On the one hand it has to protect the cultural diversity of Europe, on the other hand a common consciousness and feeling of togetherness, solidarity and unity has to be promoted to create an European identity in consequence.

The first concept attempts to address the problems mentioned before by extending the existing framework of instruments by two new indicators (4.2). In addition to the GDP and unemployment demands for an environmental and cultural indicator are outlined. Those ideas are an extension to the proposals already made before in chapter 3.4. Consequently the institutional adjustments are seen as compulsory for this approach as well. Also the focus on the GDP will not be questioned at this stage.

That is part of the second concept. A completely alternative framework will be developed (4.3). The focus on GDP – being not able to represent human well being adequately and being furthermore contradictitious to environmental and cultural demands – is going to be replaced by a compensational system on a regional level trying to assess the true needs of people better. As a consequence the creation of a new regional level will be considered. Furthermore the opportunity-based understanding of accessibility is replaced by an environmentally more acceptable concept, promoting also regional economies. Finally the relationship between cohesion and culture will be reflected more in depth.

4.2 Extending the existing framework by environmental and cultural aspects

As mentioned before this chapter represents the second step in conceptual thinking. This is necessary because the existing framework is not able to truly meet the challenges. The task of chapter 4.2 will therefore be to integrate new aspects into the existing system which focus more on environmental (4.2.1) and cultural (4.2.2) quality and development. By integrating these aspects European cohesion policy will become more sustainable strengthening the two pillars of social (by seeing culture as one part of social development) and environmental cohesion.

4.2.1 The environmental perspective

Though some attention is already paid to environmental questions by EU policies, many measures taken within the framework of cohesion policy are counter productive. This can be seen on larger scale (e.g. the Single Market provides the possibility to pass borders without paying any duties and therefore provokes additional material flows) and on smaller scale (e.g. the Cohesion Fund provides means for irrigation which results in higher water consumption in landscapes where water is already rare). On the other hand there are still environmental problems that derive from former developments in the industrial or agricultural sector which have to be faced.

The aim of the complement to the existing framework is to connect the classical Structural Policy with sustainable development in the field of environment. By this the effects characterized above shall be erased. As a result the adjusted framework from the chapters before is extended by the environmental perspective.
Taking pattern from the existing framework a New Objective E is integrated into the new framework. This New Objective E will be divided in three sections which are responsible for three general cases of environmental quality. These three categories with universal information can be taken from the table below.

**table 8: Objective E and its subdivisions**

<table>
<thead>
<tr>
<th>Definition</th>
<th>Eligibility Criteria</th>
<th>Spatial effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regions with a serious lack of ecological efficiency and a poor state of environment</td>
<td>Regions eligible whose:</td>
<td>Mainly old industrial regions which are still in the process of structural adjustment and regions in the new Member States will be eligible for this kind of funding</td>
</tr>
<tr>
<td></td>
<td>• Ecological efficiency is under 75% of EU average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Pollution of one natural element is more than 125% of EU average</td>
<td></td>
</tr>
<tr>
<td>Regions which are lagging behind in the environmental sector</td>
<td>Regions eligible whose:</td>
<td>Old industrial regions and regions with agricultural tradition will be eligible for this category of funding</td>
</tr>
<tr>
<td></td>
<td>• Ecological efficiency is under 85% of EU average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Pollution of one natural element is more than 115% of EU average</td>
<td></td>
</tr>
<tr>
<td>Regions with a negative tendency in the environmental sector</td>
<td>Regions eligible whose:</td>
<td>Regions which invested less in their environmental quality or regions with a high growth in short terms are the main receivers of this funding category</td>
</tr>
<tr>
<td></td>
<td>• Ecological efficiency fell back more than 5% within the last three years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Pollution of one natural element increased more than 5%</td>
<td></td>
</tr>
</tbody>
</table>

**Own layout**

The first field of difficulties is characterised by general problems in the ecological sector such as high pollution of water, air, soil or a high degree of soil consumption. Defining all the necessary indicators – and this is valid for all three categories of regions – would go beyond the limits of this report but there are already guidelines – like the Water Framework Directive set up by the EU which now must be tightened and instrumentalized. Regions that exceed these limits of pollution acquire support for improving the situation – and only for that. Means must be very strictly connected to the improving of the ecological situation.

The second type of difficulties is characterised by a poor relation between production amounts and the emission of toxic substances in soil, water, air or more than one of these. This provides better “ecological efficiency”. However in this field detailed statistical information have to be given to the European authorities so that supports can be realised. This might be a problem because of a lack of suitable data. Generally an advanced environmental information exchange is necessary and seems to be significant for the funding procedure. The authors would welcome that. One example is the output of goods of a region set in relation to its output of toxic substances (e.g.: tons of CO2 per tons of good). Every good has a different relation of pollution per amount. Differentiated examinations have to be made before to find appropriate indicators. The support given has to be used only to improve the ecological efficiency.

Preventing problems is better than solving them. Therefore the third category is introduced to the new framework. It helps regions which may not have the necessary financial means to maintain a good state of ecological quality. Actually

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4 The authors had fundamental difficulties to define adequate limits in per cent, because of the lack of suitable indicators available. The idea is to have two categories based on absolute values characterising different levels of environmental deprivation, while the third category is to capture the dynamic aspect.
this category prevents regions from falling back into one of the first two categories. This implies the connection of the indicators with the factor time to come up with the dynamic in the environmental sector.

The overall amount of funds provided for the New Objective E is set to 50% of the means provided for regional development as mentioned in chapter 3.4.2. This emphasises the importance of environmental measures as part of a revised cohesion strategy. The proportion of support given by the EU depends on the general situation of the region. Less developed regions receive more support to adjust their environmental quality to a certain standard, more developed regions get less support. At this point a connection between the Structural Policy and the Environmental Policy becomes suggestive. The financing rates by the EU is oriented on those of the New Structural Fund: New Objective 1 regions have to invest 15% on their own and New Objective 2 respectively 3 regions 40%. In order to stimulate activity all over Europe, also the other regions complying with the criteria are to be co-financed by 30%.

Defining three types of regions eligible for European funding in the environmental sector increases the meaning of environment in the context of the EU cohesion policy. This is an important step towards a sustainable development within the European Union.

4.2.2 The cultural perspective

Culture is another important basis for cohesion. Therefore it must be considered as important as economic, social (in general) and environmental aspects for a sustainable development within the EU. Different geographic levels where cultural development can be supported are of importance: the regional, the national and the European culture.

Regional culture is an important good of Europe. Therefore regional traditions have to be supported by EU culture policy. Possible fields for this are architecture, music, arts, or even production methods, etc. The same is valid for the national cultures of the Member States which are already different and will be even more after the enlargement of 2004. The European level has already introduced different means to promote an European culture or an European identity. This does not substitute national or regional cultures but it complements it on a bigger scale. The introduction of the Euro as a currency for all of Europe will be an interesting test regarding this field. However the EU and much more the Member States will have to work hard on a sophisticated European identity. An important aspect is cultural education. The EU already provides measures for cultural exchanges in the fields of schools, universities and other education institutions (most of them put together in the Socrates programmes). These measures must be extended to reach more cultural mobility and more open minded citizens for Europe.

Much more than for economic, social and environmental the indicators for the cultural sector are hard to define. However an Objective C is introduced which is set up similar as the structural Objectives and Objective E. Objective C is divided in three categories. The first imaginable criteria for a category is the supply with cultural devices as theatres, cinemas, museums, etc. Regions eligible in this sector of Objective C have to use the financial support for the development of their cultural infrastructure. A second criteria for Objective C fund-
ing is the stock of cultural heritage. To maintain the high cultural quality of regions with important cultural heritage it seems meaningful to give financial support. The third criteria important for Objective C funding are social bonds. The measurement of this criteria puts problems. Possible indicators could be the density of associations, societies and clubs, the incidence of single parent families, family size, etc. Social bonds are an important part of social cohesion. Therefore measures to protect and/or support social bonds should be financed.

**table 9: Objective C and its subdivisions**

<table>
<thead>
<tr>
<th>Definition</th>
<th>Eligibility Criteria</th>
<th>Spatial effect</th>
</tr>
</thead>
</table>
| Regions with a lack of cultural infrastructure or with a negative tendency | Regions eligible whose:  
- Density of cultural facilities is under 85% of EU average  
- Density of cultural facilities has decreased by more than 10% within three years | Mainly old industrial regions and rural areas will benefit from this category |
| Regions with a high stock of cultural heritage | Regions eligible whose stock of cultural heritage is 20% over EU average | Regions with great importance for history (for example in the Mediterranean) will benefit from this category |
| Regions with a lack of social bonds or with a negative tendency | Regions eligible whose:  
- Supply with facilities supporting social bonds is less than 80% of EU average  
- Value of one of the family indicators is worse than 85% of EU average  
- Indicators decreasing more than 10% within three years | Many regions will benefit from this category, old industrial regions with a high degree of individualisation as much as the Southern European countries where social bonds decrease at the moment |

Own layout

The financing procedure for all categories is the same as for Objective E. Also the amount of funding is set to 50% of means regarding the Structural Policy.

Of course only a small part of what cultural quality and development means and could mean is described. However the authors tried to make clear their point of view about necessary complements to the existing framework.

**4.3 An alternative framework**

In the chapter before, two new Objectives were introduced into the existing framework of programming and funds. But continuing the aim to promote economic growth in order to promote economic and social cohesion, the basic conflict with ecologic necessities remains apparent. Of course, the measures proposed will improve the actual system fundamentally. Nevertheless, the impression of an “end of the pipe” solution, aiming to limit the negative effects indicated by economic development, is obvious. Further reform has to be considered.

**4.3.1 A system for compensation in Europe**

So far, critique was mostly conducted about the GDP as being an indicator for human welfare. Nevertheless, in chapter 4.1 a rough correlation between GDP and other fields of human development was identified. The GDP represents the

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5 Analogous to chapter 4.2.1 the authors had difficulties to define specific limits in per cent. Consequently the chosen values are to be judged as rough tendencies rather than precise estimations.
economic output of a region in products and services. A demand for economic growth consequently means to increase the output. But, taking the EU as a whole, one has to ask, if the collective output is really insufficient. Considering e.g. the flood of commercials on TV, one gets the impression that there is rather the difficulty to sell what is produced already. Many markets are judged as being saturated, even those which were just two years ago a major engine of economy as a whole like the one for mobile phones (cf. Froitzheim 2001: 48-52). Consequently the authors are of the opinion, that the major problem is not a lack of output, but its distribution.

In contrast to the actual system, the redistribution proposed by the authors will focus on the income in a region, not on GDP. A redistribution of production, as aimed by the traditional Structural Policy does not necessarily guarantee the desired regional effect. About 30-40% of funds invested in the least developed regions are expected to flow back by imports to the richer countries (cf. Axt 2000: 141). But is this really important to the people? Not necessarily. Where the products are produced is secondary for the consumer. Consequently not the production has to be redistributed spatially, but the regional levels of income – being a representative for personal opportunities – has to be adjusted. This approach is completely contrary to the traditional method of regional development and its theory. The fundamental idea is a spatial division of functions: while some regions are centres of production, others fulfil an e.g. agricultural, recreational, ecological or even cultural function. But as long as income is highly correlated with economic output such functional divisions are not likely to work out, because the existing gaps of prosperity between central/industrial and e.g. peripheral/agricultural regions remain. Consequently a regional compensation system is necessary. This has to be based on regional income on the one hand and on the regional function on the other hand and replaces the actual system in financial and organisational respects. But not only the Structural Policy is part of this proposal. The CAP is to be integrated into the new income based regional compensation system.

**table 10: Spatial functions considered**

<table>
<thead>
<tr>
<th>Function</th>
<th>Objectives</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Production of goods and services</td>
<td>“The blue banana”,…</td>
</tr>
<tr>
<td>Ecologic</td>
<td>Protection of fauna, flora and natural resources</td>
<td>FFH-areas,…</td>
</tr>
<tr>
<td>Agricultural</td>
<td>Provision of sustainably grown agricultural products</td>
<td>Magdeburger Börde, Champagne,…</td>
</tr>
<tr>
<td>Recreational</td>
<td>Provision of space for recreation and respective facilities</td>
<td>Costa del Sol, Mallorca,…</td>
</tr>
<tr>
<td>Cultural</td>
<td>Preservation of historical customs, architecture or landscapes</td>
<td>Rome, Tuscany, Spreewald…</td>
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Own layout

The ESDP could become the central document defining and coordinating the spatial functions. The functions possibly considered are outlined at table 10. Thereby every region is just able to acquire one function at the same time. Consequently financial support is just to be acquired for the respective objective. The objectives in the table are, of course, just to indicate the direction more detailed aims might be developed. Unfortunately the creation of a proper and entirely thought-out catalogue seems to be an impossible task, as already
this broad outline is going to exceed the limits of this report. The objectives mentioned in the table are also not to be confused with the traditional Objectives based on certain criteria to comply with in order to achieve funding. The existing system aims to abolish itself by aiming to help regions out of the eligibly criteria – as seen not very successfully. The compensation system on the other hand notions a continuous need for compensation. An ecological region will probably never be able to support its citizens autonomously with goods of consumption. Therefore it provides the European society with an ecological service and is paid respectively.

Furthermore, the concentration on one function does not mean one region is absolutely committed to this single function. Positive side effects to other functions are explicitly desired – as long as they are based on the regional function. Two examples: In an ecological region a new plant is not eligible for funding by the compensation system. It might be funded privately, but no support is to be received. However, if this plant is to support the ecological objective, funding might be obtained also for an economic investment. Similarly tourism focused on cultural heritage or traditional agriculture might be promoted in the Tuscanny, while a 1000-bed hotel or a science park is not fundable. For the CAP this means a major change. Not every agricultural outcome is to be financed. On a large scale, predominantly farmers in agricultural regions still benefit, while others might use the side-effects in connection with the major function of their region. As a consequence it is not intended to create a system of regions with rigorously divided functions. Especially through the increase of the costs of transportation it is also aimed to promote regional production of essential commodities and products with a low added value in comparison to their weight (see 4.3.3).

Not to be misunderstood, the new system outlined is not to break existing law in regards to the environment or agriculture etc. An economic region for example does not get a wildcard for pollution, but has to comply with the same ecological rules as it has today. Similarly, rules for a more sustainable agriculture in opposition to the industrialised agriculture has to be developed. The crisis in regards to BSE and MFD made the need for improvements obvious. Such regulatory law will have to apply to all regions, no matter what function they obtain. However, to develop these sectoral policies is again not part of this paper. To classify different regions into functions a system of objective criteria might be considered. However, a solution by negotiation appears preferable. As a prerequisite the compensation system can not favour some functions over others. Otherwise every region would just desire to be a region in favour. The guarantee therefore is the compensation system itself. Providing comparable living conditions by comparable income levels over all spatial functions, every region is free to decide what suits best to its regional situation and is not under pressure by economic considerations. Under this condition and with the guarantee of regional participation, a negotiated system could support the regions in Europe to develop their own regional strategy and identity in consideration of endogenous potentials. A rigid allocation by anonymous criteria on the other hand, might be refused as a centralist intervention into regional affairs in opposition to the subsidiarity principle.

The aim has to be a non-discriminating redistribution of income. Yet, the amount to which compensation is put into place is difficult to define. Godfather
might be the Cohesion Fund. There, an eligibility criteria of less than 90% from the average GDP is set to qualify for assistance. But instead of using GDP the regional income becomes accountable for the proposed compensation system. And considering the desired redistributional effect, an accompanied maximum has to be set up as well. Consequently a minimum of 90% and a maximum of 110% of the average income are set as corridor. Regions with higher incomes have to redistribute in favour of those with a lower income level.

As the discussion about the German financial compensation system between the Bundesländer proves, the net paying Bundesländer refuse increasingly to contribute to the system arguing that the apparent overcompensation reduces their motivation to perform over average (cf. Lenk 2000: 164pp, Rensch 2000: 156pp). Similar difficulties are likely to appear in regards of the proposed compensation system. To obtain the agreement of net-paying regions, the net-benefit has to be made clear to them. Besides the initial aim of social and economic cohesion – limiting e.g. poverty, dangers of social riots, probably crime – these are also seen in a more sustainable organisation of Europe giving space for the environment, the production of healthy food, recreation and culture. Having understood these benefits no one has to feel as a parasite feeding on others. And even if the proposed system might be a step backwards in traditional economic terms, the benefits in other fields of living should prevail this negative effect.

Operationally the higher incomes could be drawn by regionally defined taxes on income. Whereas all kinds of income are to be considered, not just income derived from labour, but also profits from business, capital or the like. Therefore the national systems of taxing have to be harmonised. In regions with a low level of income, two criteria are to be followed by the distribution of the money raised: First, the distribution of additional income has to focus on those with already low incomes, particularly unemployed. Second, the income has to be distributed in consideration of the specific function. To guarantee the effect for regional income and employment, a minimum of 80% has to be spent on labour. Also co-financing of jobs is imaginable. This means a very direct increase of personal income levels. The remaining 20% might be used for tools or infrastructure necessary for the primary projects. The idea of a financial distribution to guarantee personal income is nothing new in the EU. The previous reforms of the CAP already aimed in this direction, by increasingly replacing the funding of productive output by direct subsidies of farmers connected with ecologically desirable production (cf. Presse- und Informationsamt der Bundesregierung 2000: 21pp).

The regional distribution of the money itself remains a regional task in correspondence with the subsidiarity principle. They might spent the money on programmes and projects, prefer to pay subsidies for companies or improve the incomes by direct transfers. The particular arrangements are part of regional creativity and competition. Continuing the programming as today would just require an exhaustive administration. The national institutions will have the task to control the expenditure in regards to the criteria mentioned before and the function respectively, while the European institutions are responsible for overall strategy matters and coordination. If a region not able to spend the money deserved in correspondence with its function, the remainder is lost.
A particular problem might prove the existing differences in regards of the national social systems. Eastern Germany is a good example, where the people attain a comparatively high income in relation to the GDP because of income transfer by the social insurances (cf. Schubert 2000: 5, 13). Thus, having a high level of income, Eastern Germany was probably not eligible for the European compensation system, because the compensation took place already by national mechanisms. On the other hand a country with a low developed national compensation system would profit more. To avoid this kind of injustice, the national social systems have to be adjusted to be more comparable. However, this is just a prerequisite and not part of this concept itself.

4.3.2 A new regional unit

The compensation system proposed is based on regions. Looking at the actual regional division of Europe a very heterogeneous situation can be identified. The regions classified in NUTS are hardly comparable with each other, be it in size, population or competencies. The actual order is for practical reason based on national administrational units, developed under different historical necessities (cf. Feldmann 2000: 14-16). Consequently, the actual system does not appear suitable for the compensation system proposed. A more uniform definition of regions is necessary to receive more comparable regions. However, reforms like 1999 in Ireland, when new regional units were created just to meet the eligibility criteria for continuing funding (cf. Neueder 2000: 86) have to be strongly refused.

To create a new spatial division, two concepts might be considered. On the one hand you might classify regions by similarity, on the other hand by functional relations (cf. Sinz 1995: 806p). Remembering the proposed functional division of Europe one might consider a classification by similarity in consideration of the spatial function. However, the definition of a regional function has to be negotiated with participation of the region itself. Therefore the spatial division of regions has to exist already before. Consequently a division by functional relations is preferred. A good example how this could be done is given by the German “labour market regions”. These are created by the Bundesanstalt für Bauwesen und Raumordnung as basis for regional funding in Germany. The attempt is to create economically coherent units. Of particular importance are

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6 System to classify regions in Europe. There are five levels of NUTS. For Germany the levels are as followed: NUTS 1 = Bundesländer, NUTS 2 = Regierungsbezirke, NUTS 3 = Kreise, NUTS 4 is not defined, NUTS 5 = Gemeinden (cf. Feldmann 2000: 15).
the commuter relations as representation of every-day economic exchange. The minimum size was set to 100,000 inhabitants in order to avoid too many and too small units. As a result Germany was in 2000 divided into 271 spatial units, each consisting of several municipalities, a concession necessary to maintain some minimum continuity for statistical purpose. (cf. Eckey 1995: 47-49, Has-sold and Jung 2000: 60p, Crome and Schwengler 2000: 71). In the opinion of the authors, similar system might be applied to define a common regional unit all over Europe. As a consequence some hundred regions might be created. However, independently from the system chosen, it is of major importance to proceed quickly. At the moment all candidate countries are busy to implement regional divisions as part of the preparations for their entry to the European Union (cf. Axt 2000: 184pp). This has to be done in harmony with a common system. Otherwise these new regions were to be redesigned just a couple of years later to be adapted to the new requirements.

Having created a new regional division, it has to be fit out with comparable regional competences. While traditionally federal countries like Germany or Austria have considerable responsibilities to lower regional units, centralist countries like France or the UK often just leave the execution of central decisions to the regions, this being in opposition of the subsidiarity principle. To allow the newly created regions to carry out their responsibilities as described in 4.3.1 they have to be equipped with the corresponding means and competences. Especially the capacity to take part in the initial negotiation process, the creation of a regional development concept and the design and execution of actions has to be ensured.

4.3.3 Accessibility and the Trans-European Networks

Chapter 3.4.3 pointed out that accessibility is one crucial factor of reducing regional disparities. While that chapter regarded only the economic effects of the TEN-T and accessibility a mobility concept is to be elaborated that takes into account the ecological effects these infrastructure investments will have. Mobility and ecology are often regarded as contrary to one another as higher mobility and investments into transport infrastructure often has negative effects on the environment. This is true for already densely populated areas as well as for scarcely populated areas with a high percentage of natural spaces.

In densely populated areas every new transport measure imposes further pressure on the scarce free and green areas and especially on the rare natural reserves. Besides, the population of these dense urban areas has to cope with additional loads of noise and pollutants (Lemke et al. 2001: 45). In these cases it could be wise to shift investment into the melioration of already existing transport corridors instead of creating new ones. A careful choice of those to be enlarged has to be made using the estimates of their ecological impact as one of – if not as the – major decision criterion. Moreover a shift from individual to mass transport systems has to be supported and preferred, especially when there is public funding of transport projects as there is in the TEN. The regular overcrowding of interregional highways should be prevented by using or creating capacities on the railways. This is for both transport of goods and of people. Longer trips of people should be transferred to the plane according to the
proposal in chapter 3.4.3. However, the distance applicable for the plane is increased to 1000 km as air transport is most damaging to the environment. In scarcely populated areas, as in some regions of France or Spain, huge and vast free and green areas can be found, often with high ecologic functions for flora and fauna. New transport corridors through these cause fragmentation which might have strong ecological effects on these areas. The predicted land consumption for the TEN is about 4000 square kilometres (Lemke et al. 2001: 45), more than 1.3% of the total surface of Italy. In this regard it is very interesting that the German Ministry of Transportation does not consider land use of transport infrastructure as an ecological problem (cf. BMVBW 2000: 43).

The vast ecologic areas could be by-passed which will cause longer travelling times but on the other hand it could have the effect that more people receive benefits from these infrastructure measures. This would be especially true for the high speed railway network which is part of the TEN but is also true for the transportation of goods. More people might benefit from an increase in accessibility this way. On the other hand more land for the construction of these corridors will be needed. Therefore a detailed evaluation of the different possibilities has to be made.

While these recommendations are valid for both transportation of goods and of persons different strategies have to be applied for other aspects. People tend to travel in very individualistic ways and therefore rather prefer using the car instead of mass transportation. This can be influenced by preventing a further enlargement of the road network except for cases where it is underdeveloped. Instead the melioration of the railways has to be pushed on so that its share in the modal split will rise. Some methods to achieve this goal can also be increasing the cost of travelling by car versus the cost of using mass transportation by means of taxation or higher fees for using the highways.

Also for the transport of goods the railroad capacities have to be pushed but in a much higher way. Transportation of goods has to take place only via railroad, and transports on the road will be limited to carrying goods to railway stations or harbours and from there to their final destination. This can only be possible if road and railroad but also harbours constitute a tight network with many nodes where the change from one transportation means to the other is possible. This is especially important for Member States like Germany which will move from the eastern periphery into a much more central situation in course of the eastern enlargement of the EU. Growing trade with the accession countries will increase transportation of goods on German roads if no measures will be taken (cf. BMVBW 2000: 16).

All these thoughts have to consider that nature is not being preserved only for nature’s sake but for the huge benefits mankind receives from it. Therefore special attention has to be paid to the ecological effects of increasing accessibility. It might not only increase the quality of life of Europe’s citizens but also decrease it.

However, the economic consequences might be positive in regards of cohesion. As mentioned in chapter 3.4.3 increased accessibility might lead to intensified competition for markets which were protected by their peripherality before. Consequently, higher costs of transport are also a measure to enforce
more regional markets, as the factor of transport becomes increasingly more expensive compared to the advanced efficiency using Economies of Scale at a central location of production. As a result, local and traditional modes of production and employment are more likely to be competitive to the import of mass products. An important step for self-sufficient employment in more peripheral regions. However, the right balance has to be found between the promotion of local production and the advantages of specialisation and the economies of scale. A suitable measure, directly influenced by the costs of transportation, could be the weight of a product in comparison to its added value.

Furthermore investments into physical infrastructure or the adjustment of transportation costs are not the only possibilities to adjust regional inequalities. The “American model” (Martin 2001: 30) shows that labour migration – which is very high in the United States – can minimize regional disparities. “The fact that workers follow the movement of capital from declining to growing regions makes the problem of spatial equity much less acute” Martin argues, but: “in Europe, encouraging the spatial mobility of workers is not considered to be an adequate answer to regional inequality problems” (2001: 29). Maybe it should be considered so to a higher extent, maybe as an additive to the current Structural Policies. The authors of this report certainly do not aim at dislocating large parts of the European population in favour of the economic cores but think that facilitating migration of those who are willing to move could be promoted more. Of course, this approach is very likely to cause “brain drain” and further depopulation in already disadvantaged regions. However, this could help e.g. ecologically orientated regions to receive their aims better by easing human pressure. The compensation system proposed in chapter 4.3.1 would be able to guarantee a reasonable income of those who will remain. And to ensure the overall availability of basic facilities measures have to be taken by the regions respectively.

In conclusion, the restraints on mobility focus on two dimensions: First the mobility provided by individual means of transport has to be restricted. Second, the mobility of goods has to be restrained. In regards of people the opposite is to be promoted, not necessarily in the every-day short distance mobility, but in cultural mobility allowing people to come together all across Europe. This should be provided preferably by train. Furthermore an increased mobility of labour is supported.

4.3.4 Cohesion and culture

The importance of culture as one part of cohesion policy has been emphasized before. Manifold aspects of European policy put effects on the cultural development and quality of the EU and within its Member States, be it the eurozone, the EU15 or even the EU27. The last step of this report already has been characterized as radical approach. This should not stop on the cultural aspects of cohesion.

Taking into account the chapters before it gets obvious that in this last conceptual step culture can be divided in two different categories: On the one hand
there are the regions which decided to emphasize their cultural function, on the
other there are policies which generally strengthen the cultural quality and im-
prove cultural development in the EU.
Regions of the first category will mostly be regions with historical roots. They
will try to find synergies with fields of action who can strengthen their position
within Europe. Other regions will come from the agricultural or fisheries sec-
tor. They chose culture as their function because they wanted to be able to
maintain their way of production, cultivating or fishing. It gets evident that
there are many points of contact between the different functions of regions.
This is important to thrust aside the impression that the authors’ concept leads
to mono-functional regions which are not using their other potentials. Cultural
devices and certain traditions do not necessarily work under the principle of
profit maximising. But that does not mean that they should be cancelled be-
cause of this. One example are certain traditions in production in the field of
agriculture. Because of their positive (or at least less negative) impact on the
ecological development they are maintained. Some products could not even be
produced taking into account some of the harmonization regulations of the EU.
In this area – and only in this one – exceptions are tolerated to save regional
and local structures.
Cultural policy - as the second point - which should be provided by the EU for
all of the Member States and all the regions within the EU are coming from
different fields of action. The first step for an European identity is already
taken with the introduction of the Euro. In the field of spatial planning and spa-
tial development cultural “policy” and cultural exchange can be extended by
pushing forward the ESDP to an instrument for spatial planning on European
level, instrumentalizing it for a better and more balanced development in the
EU territory. The measures which are now supported by the Community Initia-
tive Interreg have to be maintained where they help to improve the cultural
exchange between different countries. A similar development is provided for
the instruments of the Directorate-General for Education and Culture, e.g. Soc-
rates, Youth, etc. To ensure the cultural mobility of European citizens it has to
be introduced that every citizen once in her or his school career has to take part
in an exchange. This can be either in primary or secondary school or at high
education institutions. The means for this field have to be increased signifi-
cantly. Connected to this another point is important: even if until now the fu-
ture official languages of the EU are not fixed it has to be guaranteed that every
citizen of the EU learns at least two (if there are more than one official lan-
guage as result) of the official EU languages besides the mother tongue. A bet-
ter understanding between the citizens will be the result. On the other hand
even the small languages have to be protected and supported by the EU as
it is already done now but with more commitment.

The European Union still has problems to build up an own identity for its citi-
zens. This has to be faced in this alternative framework. To improve the situa-
tion a big image campaign has to be carried out where the advantages of the
membership of states in the EU and the advantages for every single citizen
have to be emphasized. An important step would be the better information of
the EU citizens by their Member States. This has to be realized without na-
tional or political egoism.
One step to unite the aims of language learning and identity formation would be the introduction of European public radio and TV stations. These could send their transmissions in all of the official European languages. By this the possibility of the citizens to train their skills is given and the European Union as institution would get a platform to inform the citizens from its point of view. In addition the opportunity is given to the EU to send programmes for Member States whose languages are regarded as smaller ones.

There are very different fields where culture and cultural exchange is or can be situated. Two general problems can be characterized which have to be faced: First because of the diversity of subjects the mix of responsibilities gets obvious and second the fact that many of the potentials of the instruments imply – if used in the wrong way – the danger of destroying the cultural diversity rather than protecting it. To react to this and to ensure the efficiency of the measures which will be introduced a committee will be brought into life to discuss the results of the education and culture policy in the EU. The adjustment of measures towards better efficiency can be proposed by this committee to the Commission. Members of the committee should come from the fields of culture, cultural and natural heritage, education, agriculture and fisheries.

Implementing this new system for cultural quality development in the EU demands a high amount of prudence and regard for the developments in this sector. As soon as measures start to destroy the cultural diversity new ideas have to be brought up how to save it. In the opinion of the authors the ideas set up before will rather strengthen than weaken the cultural diversity within the EU.
So what can be expected from the next years? Taking the actual situation as reference mainly controversy will determine European politics for the next two or three generations. Too many fields of action are under hard debate at the moment: Structural Policy, agricultural policy, the European warrant of arrest, the new official languages for Europe, etc. This list shows that the introduction of the Euro has been an extraordinary achievement for the EU.

The problem to be faced is the prevailing idea of national egoism (e.g. Spain and Portugal in the Structural Policy, Italy in the case of the European warrant of arrest or Germany trying to enlarge its financial backflow) because this concept will no longer work out after a future enlargement of the EU. Solidarity will be asked to prevent a two or three class EU. This does not mean that the integration of the candidate states may not be done in steps but these steps have to be clearly determined before. Otherwise they will be “forgotten” in the next negotiations.

The time period until 2004 will also show how the actual Member States of the EU will treat the candidate countries and what new applicants can expect from the EU. Will the European Commission be able to cut the Member States down to size or will the Member States continue their exclusive club behaviour?

Cohesion – as it was already mentioned – does mean the inner bond of molecules of a body (cf. Dudenverlag 1990: 405). The EU does not seem like one single body. It consists of many bodies stuck together artificially so that no inner bond can be built up between its molecules. It is the tragedy of an EU that was pushed forward mainly and explicitly as an economic union between the Member States without regard for the citizens living there. The result is a nearly complete economic union without any social and/or cultural bonds between the Member States. Even if the EU was so far able to prevent new wars within its territory (apart from the pre-existing intra-national conflicts such as in Northern Ireland and Spain) the great aim of the United States of Europe as Churchill expected them to be still seems light-years away. Mainly nationally egoistic politicians to blame for this.

The EU needs men and women with visions, not only in the European Commission and the European Parliament, but also in the national governments of the Member States. These people have to elaborate ideas about a symbiotic, cohesive Europe. Far-reaching reforms have to be made to put more efficiency to European systems and to let the single citizens finally benefit from the blessings of the EU.

The author’s report shows up some possible ways to proceed. Even if some ideas introduced seem utopian and are more complex and full of difficulties in application, with the right people in charge they could be one way to improve the European situation, to make cohesion not just a bromide but an aim to work on, an aim to achieve!
Deutsche Zusammenfassung

Die Kohäsionspolitik in der Europäischen Union ist Gegenstand mannigfaltiger Diskussionen. Dabei geht es nicht nur um das „für“ und „wider“ von staatlicher Intervention, sondern auch um eine richtige Mischung von Deregulierung und Planung. Es geht aber auch darum, wie viel Macht sich die Mitgliedsstaaten der Union erhalten können und wollen und wie viel Macht sie an andere Autoritäten im EU-Apparat, wie die Europäische Kommission oder das Europäische Parlament abzugeben bereit sind.


Das vorliegende Arbeitspapier entwirft auf der Grundlage der gemachten Untersuchungen und unter Berücksichtigung der Herausforderungen der EU-Osterweiterung drei Reformvorschläge:


In einem zweiten konzeptionellen Schritt werden dann die Ziele einer umweltverträglichen und kulturellen Entwicklung eingeführt, indem das bestehende System um zwei neue Ziele ergänzt wird. Dabei wird der Versuch unternommen, auch diese in operationalisierte Förderkriterien umzusetzen.

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